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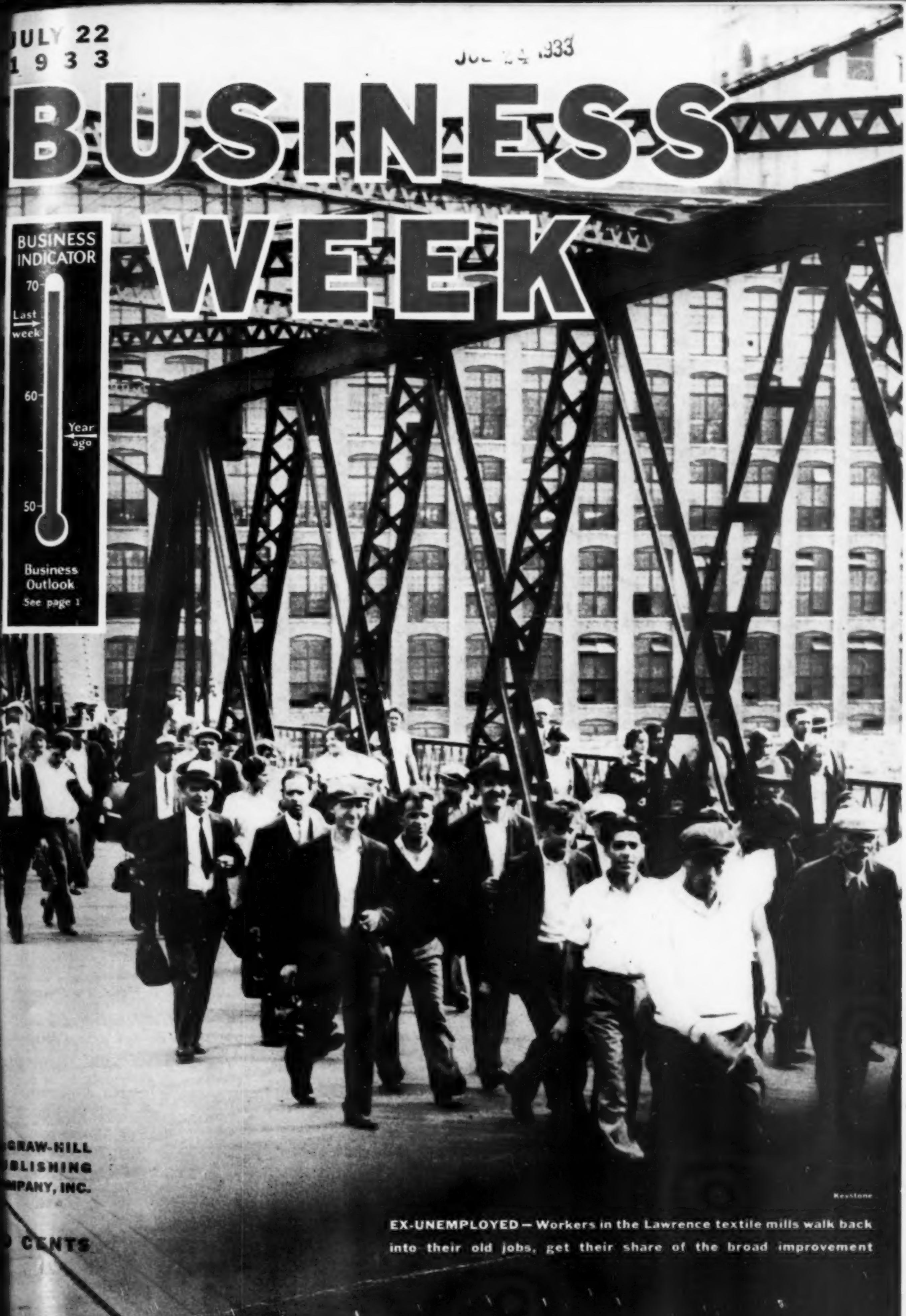
BUSINESS WEEK



Keystone

EX-UNEMPLOYED — Workers in the Lawrence textile mills walk back into their old jobs, get their share of the broad improvement

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This Business Week

WASHINGTON, hotbed of rumors, hears Roosevelt and Douglas will split just as soon as Douglas has completed his present job of slashing the budget and arranging the reorganization of government departments and bureaus. Another rumor, wholly contradictory, is that Douglas will succeed Woodin as Secretary of the Treasury.

Dismiss both stories as bunk.

The first yarn is based on the solid fact that Douglas and Roosevelt disagree on some fundamental policies. Remembering several recent Presidents who wouldn't have anyone around them who disagreed in the slightest, it is easy to progress to the conclusion that Douglas must go.

All wrong.

The President has no objection whatever to people who disagree with him on policy. It is all right for Douglas to argue against public works. Roosevelt will listen, and maybe learn something. He knows the final decision is his. When he makes it, he expects subordinates will carry out his ideas, think what they may. If they do, they stand all right with him.

That disposes of No. 1. Rumor No. 2 is a little different. Douglas is one of these orthodox boys. The mere word "inflation" sets him off. He makes cracks about the "rubber dollar." A Budget Director is supposed to be tough. He can say things like that, but a Secretary can't. It is all right for Roosevelt to be broad and tolerant; it would be something else again to have his second-ranking Cabinet minister publicly disputing the Administration's principal thesis.

ONE of the gravest and most respected financial journals remarks that a stable price level, if achieved, would seriously bewilder the veterans of business and finance who have always been accustomed to watch the course of prices as a guide to action. So what?

THE first promotion in NRA raised Major R. B. Paddock, assistant deputy, to deputy, this week. Paddock has made himself invaluable to dozens of association committees, has acted as deputy for weeks. Comes of an army family, himself one of Pershing's original staff in France; then with the Signal Corps; quit the army for industry. Summoned by General Johnson at the start, received his accolade 6 weeks later. Vigorous, barrel-chested, calm, takes them as they come, sends them away smiling.

OTHER new deputies named for NRA include Professor Lindsay Rogers, student of labor conditions; Philip C. Kemp, New York attorney; W. W. Pickard, also of New York. The list of deputies is now approaching the 20 which is the first limit set by the Administrator.

REGARDING the impending publishers' code, General Johnson remarked: "If it is possible for this cup to pass from me, I hope it will."

THE export fraternity, headed by the American Manufacturers Export Association, moved on Washington last Monday, 60 strong. They had thought they wanted a code for the export industry, learned in time that it wasn't an industry, but part of the distribution of many industries. Malcolm Muir, deputy administrator, took export under his wing, and in a 2-hour catechism answered all the questions, and left the group to draw up a model set of resolutions, recognizing that export's job is to get each industry to write into its code provisions for exemption of export goods from such domestic provisions and restrictions (other than those relating to wages and hours) as might limit the sale of those export goods in foreign markets; and provide, so far as possible, for offsets, tax exemptions, drawbacks, and/or other advantages necessary for the continuance of our export trade.

NRA SALARIES last week were limited, with big publicity, to $6,000, including General Johnson himself. Monday night the news came out that Secretary Roper's Board of Directors, or of Trustees, had made an exception, and will pay $12,000 to Donald R. Richberg, chief counsel.

HERE is General Johnson's touchstone for a bad code: "If anyone can read a code and then say that it qualifies the statute, then it's unacceptable." Just like that.

SENATOR PAT HARRISON got former-Governor Theodore G. Bilbo of Mississippi a job in the Department of Agriculture—as "advisory councilor" of Administrators Peek and Brand, so Bilbo said; "to assemble current information records from news, magazine and other published sources," said the official announcement. Governor Bilbo said he "may subscribe to some service to provide clippings."

Don't miss this clipping, Governor.

The Business Outlook

Prices still are rising; more and more men go back to work; individual wages and total payrolls keep growing. *Business Week's* index of general business activity jumps three points. . . . All this makes a cheerful picture. But the Administration knows it must fade unless purchasing power is put behind it, quickly, and on a big scale. . . . Employment gained 10% in June, which is fine, but as Miss Perkins points out, only 63% of 1926's workers are employed, at less than half 1926 wages. . . . Hence plans for a blanket code, and a better payrolls drive. Hence, also, the pressure for quick action on public works. . . . Anyway, business statistics make bright summer reading just now. Somebody—a lot of somebodys—somehow can buy cars. The automobile industry is roaring along, and bedeviling the steel mills for more and faster deliveries. . . . Carloadings continue to increase, run 108,000 a day. It is perhaps unkind to recall that a 5-year average is 160,000. . . . Wholesale prices are the highest they have been since September, 1931, but they still are far, far below the 1924-25 levels the White House fancies. . . . Three new records: the dollar sold at 69 cents abroad, the pound sold here at $4.86, its old par; a Britisher ran a mile in 4.07. . . . That last mark will stand for a while.

BUSINESS WEEK

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Mass Attack

While Washington has been weaving a "blanket code," General Johnson has been organizing the NRA for swifter action, clearer decisions.

WASHINGTON — Another week of watching production increase its lead over buying power in the race back to the 1924-25 mark gave the advocates of a blanket code for industry all they could ask for. Though the "avalanche" of individual codes finally descended on the capital (page 5), every day brought increasing support for a mass attack on the depression to supplement the filtering-through tactics laid down by the Recovery Act. While hearings on NIRA codes were going on at the Commerce Building, the main business of the week at General Johnson's headquarters and at the White House was the perfecting of the "blanket" program.

Compulsion was eliminated from the plans after study of the law and reports from counsel. The White House will not tempt the Supreme Court. Doubts clouded enthusiasm about a voluntary campaign. Would the rise in prices over the whole field of buying, certain to follow general wage increases, prove too much of a shock? Wouldn't it throw out of kilter the whole plan of the Agricultural Administration to build up farm purchasing power—by boosting the prices of manufactured goods faster than the farmer's income, even from $1.25 wheat? Most important, would a "coercive" campaign invite a boycott on non-cooperators, arouse wide resentment, play into the hands of NIRA's enemies?

The Administration listened to the last question a long while, took another look at the increasing piles of stocks, decided that it all depended on how the campaign was run—and decided, as it has before, that it could depend on General Johnson.

Plans for Drive

Preparations for the "Liberty Loan" drive went steadily forward. Two-thirds of the NRA publicity organization was writing 4-minute speeches. Charles F. Horner, newly added to the organization on the strength of his achievements in the wartime bond drives, was lining up shock troops among the country's service clubs. Colorful designs with mottoes—"We Cooperate," "We Serve NRA," "We Are Members of NRA"—were scattered throughout the teeming fourth floor of the Commerce Building. Plans for stack signs to go on "blanketed" plants, for distribution of enlistment blanks by mail, and for the posting of lists of volunteers on post office walls —*pour encourager les autres*—traveled in and out of General Johnson's office, along with specifications on the minimum wages and maximum hours that industry will be asked to adopt pending submission of individual codes.

Business listened to other news from the General's office. A compact steering committee has been set up by the Recovery Administration, has begun to function. Industry is really going to have its questions answered, is going to get clear decisions. The days of chaos and secrecy seem to be over. John M. Hancock, business sidekick of the Governor of New York, organizer of drives for business stability, friend of Brazil and booster for its coffee, is executive officer, is forming a small compact group to coordinate NRA activities, steer industries to the deputies best qualified to handle them.

General Johnson, grimly efficient, is getting ready for the end of the honeymoon. "There are going to be a lot of dead cats flying around pretty soon, and I want men about me who won't run," he snapped back at inquiries as to why he hasn't sought wide representation of industry and labor and uplifters in his list of deputies.

Echoes of the revision of the cotton textile code for the third time came to the Administrator. The discharge of the third shift in mills cut down from 144 machine hours a week to 80 brought excited questions. "We can't do anything about it; those are some of the eggs that had to be broken in making this omelette. Where there are injustices, I will look into them."

This week's rush of industrial codes gave him a good start. Hearings on those of the electrical manufac-

Acme

TO SEE THE BOSS—Secretary Ickes and General Johnson, glimpsed through the window of the 'plane just before they flew down the bay to confer with President Roosevelt, who was on a weekend cruise.

turers, lumbermen, shipbuilders and cloak and suit makers swung into action. More were scheduled for next week. Evidence of the possibilities and problems of recovery piled up. Significant sample from the transcript of the electrical manufacturers' hearing:

NEMA's proposed code promises the immediate reemployment of only 25,000, chiefly on light work. If the industry is to re-employ all of the 75% dropped since the 1929 peak, there must be a broad revival of the capital goods industries. This depends on the revival of prosperity in other industries and the release of capital expenditures. A 50% increase in the present electrical business would bring back 1929 employment conditions. But—if the proposed code had been in effect in 1929, the industry would have needed 75,000 more than the quarter million then employed.

Globe

FRANK C. WALKER—The Democratic National Committeeman, an early supporter of Roosevelt, who is executive secretary and engineer of the recovery machine.

Labor and NIRA

Recovery Act may be labor legislation but labor's worries betray no conviction that it's one-sided.

INDUSTRIALISTS who feel strongly that labor "got away with something" in the Recovery Act are learning that labor's representatives find as many thorns on this rose as they do. That became apparent early in the career of NIRA, became more obvious with the opening of this week's important code hearings, particularly on the electrical code. From complaints heard from "the other side," some of the recalcitrant manufacturers may eventually get the impression that the framers and administrators of the act have been about as neutral as they claimed to be.

Restrained Enthusiasm

Labor is far from being as jubilant over the cotton textile code—Code No. 1—as some of its employers believe. It wanted $16 and $14 minimum wages North and South, not the $13 and $12 finally approved. The cotton mills got a 40-hour maximum week and the American Federation of Labor insists that it would take a 35-hour week to give work to the industry's 130,000 unemployed. None of the important codes so far submitted look good from the Federation's position on a 30-hour week platform.

Labor is concerned over the development of the minimum wage idea, fears that "minimum" will be interpreted as "maximum." The A. F. of L. has always been the champion of the skilled worker and is now anxious lest he should be left out in the shuffling of codes. It was pleased with the establishment of a differential between lowest-paid labor and higher grades up to $30 a week as one of the President's "conditions" on approving the cotton textile code, shocked when the condition was changed to leave the fixing of this differential to the industry's Supervising and Planning Committee. Incidentally, labor is vociferously demanding equal representation with management on these "continuation committees."

The organized workers are upset over the lack of any prescribed active functioning of collective bargaining in the first codes, which repeated the literal language of NIRA but did not set up any means of implementing the provisions for collective bargaining. Where the open shop gentry are complaining that the Recovery Act offers aid and comfort to the Federation unions, the latter are nervous about the Recovery Administration's attitude toward the company unions (despite General Johnson's emphatic restatement of NRA neutrality). No one is happy over the revival of the depression-dulled warfare between the "inside" and "outside" organizations.

The rush to organize—"1,600 volunteer organizers assisted by paid ones in every part of the country"—has had repercussions in labor's own ranks. Working fast in open-shop territory, against the advance of company unions, the A. F. of L. has been chartering a flock of so-called federal unions ("25 in the last 2 weeks," says Secretary Frank Morrison). In these unions reporting directly to national headquarters, all the workers signed up in a given shop are lumped together regardless of craft (*BW—Jul15'33*). Some of the old craft unions among the Federation's 108 national and international subsidiaries don't like this deviation from the historic pattern dividing workers according to skills instead of grouping them by industries. Labor anticipates greater difficulties later on, has half-promised to feed the members of the new industrial unions into appropriate crafts organizations after the emergency has passed.

What Place Labor?

Labor is also uneasy about its place in the Recovery organization. Beyond Donald Richberg, the labor attorney who is General Johnson's general counsel, Edward F. McGrady, his assistant administrator for labor, and Heber Blankenhorn, New York labor journalist in the NRA public relations sections, it finds no real labor spokesman in the 130 important jobs in the NRA.

The labor people would like more recognition, not necessarily of organized labor, but of what they define as liberal thought among the NRA deputies. The only ones they know very well are Prof. Lindsay Rogers of Columbia, just named, and Prof. Earl D. Howard of Northwestern University, who has been worked so hard that he dropped in his tracks in New York the other day. They would like to see more deputies of the type of Prof. William M. Leiserson of Antioch College, who has served as impartial chairman in industrial disputes in New York and Chicago.

This week's blossoming of the code crop has done a little to allay some of labor's worries about "delays that make it possible to push cheap labor to greater effort under sweatshop conditions, thus wrecking the whole recovery plan on piles of accumulated cheap stocks." However, President Green is still sounding the tocsin. "These gains (in production) have far outstripped buying power. . . . To increase buying power means to take men back to work and raise hourly wages." And organized labor has been a leader in advocacy of the "blanket code."

Bargaining Codes

Big industries fall into the NIRA line prepared to give labor a new deal but all set to make a good one for themselves while they're about it.

THE muttered threat of a drastic governmental move on the whole industrial front, spurring industries to speedier action, resulted this week in the descent on Washington of what began to look like the promised "avalanche" of fair practice codes. Important industries—steel, coal, oil, wool, contracting, newsprint, shipbuilding, cloak and suit, also lumber and electrical manufacturing (*BW—Jul15'33*)—have filed codes that will affect in the aggregate several million workers. Many others, large and small, are putting the finishing touches to theirs, planning early submission.

Not Too Anxious

Some of the industries, that have actually placed their documents on file for hearing, were not anxious to do so at this time. Their leaders wanted to continue observation of the modus operandi of the NRA in application of codes already on file. They wanted to see to what extent organized labor's leaders would attempt to capitalize what has been interpreted as an opportunity for extending its influence. This inclination toward a policy of watchful waiting prevails particularly in industries whose history discloses encounters with the long arm of the Department of Justice.

Codes recently filed by such industries under the urge of the emergency, reflect, often between the lines and only to the experienced interpreter, that type of thinking. Members who participated in drafting them point out that if a code is to gain and hold its objective, it must provide an even break for both labor and capital; that labor cannot hold employment unless the employer can sell under fair competitive conditions; that, therefore, maximum protection of labor demands maximum protection of capital through fair prices and trade practice controls. They want their particular industry to be in a trading position, with both sides, labor and capital, given an equal stack of chips in the code as originally submitted to the Administration.

Adherents to that theory of trading for concessions cite President Roosevelt's recent decree, placing the silk, rayon, throwsters and cotton thread industries under the labor provisions of the cotton textile code as an example of what may happen when a basic code does not deal specifically and exhaustively with trade-practices and trade evils. Others, less alarmist, suggest that every NRA official knows that the distributive as well as the productive functions of an industry must be stabilized if permanent business recovery is to result, that therefore later efforts to remedy trade evils will have the same consideration accorded those made part of the "trading" type of code.

Keystone

CODE MAKERS—Coal men, meeting in a Washington hotel, worked out a code for the bituminous mines. Left to right, George B. Harrington, president, Chicago, Wilmington & Franklin Coal Co.; George Heaps, Jr., Iowa coal operator; T. G. Essington, counsel for the Illinois Coal Operators; and John L. Lewis, president, United Mine Workers.

Steel

THOSE who have studied all the codes so far submitted have been inclined to separate them into two groups, the cotton textile type and the trading type. After scrutinizing the code submitted by the American Iron & Steel Institute for the steel industry they allowed that a third type, the realist's code, had arrived. They point out that it reflects a deep-seated realization that the "new deal" involves practically every phase of industrial activity and consequently attempts to cover them all by suitable provisions. However, the deal is not new throughout. Like good poker players the steel men retained a proverbial "ace-in-the-hole," perhaps even two or three, and hoped to strengthen their hand still further in the "draw" to come with the public hearing.

Top-ace in their code is Article IV which covers labor, wages and conditions of employment. Its approval by NRA and the President would be interpreted as an unequivocal endorsement of the open shop system.

However, the steel code had been barely completed and delivered to General Johnson before labor representatives discovered the "ace" and promptly gave notice that there would be a fight. Organized labor does not propose to have so juicy a plum as the 1-million-workers-strong steel industry snatched from its grasp without some fireworks.

Persuasive Weapons

Meanwhile, the code builders had prepared powerful weapons for the fray. They had offered to ban child labor. They had ruled that the work-weeks of each 6-month period should average 40 hours. They had set up minimum wages for common labor in the 21 different manufacturing districts on a range of from 25¢ to 40¢ per hour, which in some of the districts means a 100% raise for the worker. Simultaneously, the industry proposed a general wage increase of 15% and the Bethlehem Steel Corp., to show that it meant it, had put that increase in effect for all of its 50,000-odd employees without waiting for approval of the code.

Second ace-in-the-hole, hardly less important than the first, is the selling set-up covered by code-schedules F, G, H and I. While these do not revive the old Pittsburgh-plus system of pricing,

abandoned 7 years ago, their approval would establish the current basing-point system firmly in the saddle and enable the industry to achieve exceptional stabilization of prices.

Steel men point out that with freight rates the most important single factor in their selling schedules, firmly established basing points for the various products, coupled with the open price provisions of the code, will materially aid in the recovery of the industry.

Large buyers of steel are less enthusiastic. They have learned in the last four years that eagerness for orders softens resistance to concessions and they would like to continue playing one price against the other and possibly that of imported steel against both.

Against Consignment Selling

Steel-code builders were also set to make a try for NRA approval of the ban they had placed on consignment selling, while distributors and fabricating companies, beneficiaries under that plan, were set to make a fight for it. The burden of proof will be on the manufacturers who actually gain many valuable advantages from consignment stocks. The plan makes their goods readily available to the user without necessitating the expense of maintaining their own warehouse and operating staff at every important point of distribution. They make many sales from stocks consigned to distributors, that would otherwise go to a more conveniently located competitor. Distributors like the plan because it gives them the advantage of a substantial and generally well-balanced stock, ready for immediate shipment, without involving any capital investment. If the code makers carry their point consigned stocks will be out by June 30, 1934.

The provisions of Article V, particularly prohibition of new construction of blast furnace, open hearth or Bessemer capacity, have attracted wider attention than insiders think it deserves. They say that inventive genius is not being curbed, that obsolescence will march on. They point out that the continuous rolling process has been but recently perfected, that mechanical puddling was achieved during the depression, that such new developments naturally demand new construction on which the code places no limit.

Oil

PETROLEUM'S code went to Washington with 2 pairs of pants, the same code and pants which left Chicago in such disagreement. As the code itself remarked, "It has not been possible for those engaged in the marketing of petroleum products to agree to the provisions of Rule 8. The two conflicting views are set forth . . ."

Rule 8 concerns the matter of service station leasing, "lease and agency agreements." Big companies would freeze things as they are; independents want a new deal.

As General Johnson so succinctly remarked, "The oil industry practically asks for a czar—I don't think any industry ought to have a czar. . . . The oil code will contain a provision, as the textile code did, for industrial self-government. They will set up a committee under the administrator. We will add 3 members to that committee. There it depends on the industry as to the extent we will intervene. We will intervene where necessary to protect the public interest. . . . A lot will depend on the aggressiveness and character of the 3 men I will select. In the oil industry, I would say they would have to be a pretty husky trio."

The code, however, as later presented to the General contains no provisions for self-government. It leaves many things to the President.

Production would be held "within such reasonable amount as not to injuriously affect interstate or foreign commerce" by requiring a permit from the President for drilling of new wells.

The sale of crude petroleum below cost of production being "contrary to the policy of conservation expressed in the National Recovery Act . . . conducive to waste, tending to create monopoly," being "in many instances an unfair method of competition," the President is requested to establish from time to time minimum prices for crude petroleum . . . and in order to protect consumers may also fix maximum prices.

White House Cleaning

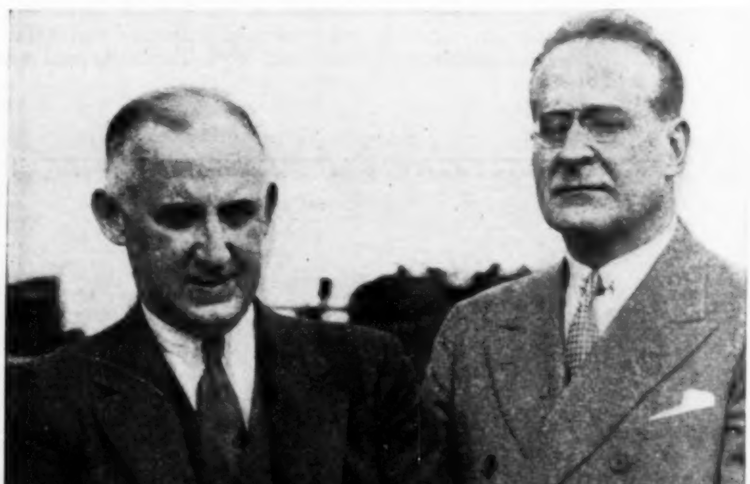
The President also would limit and allocate imports, limit withdrawals from storage, collect price and purchase details, approve development of new pools, protect stripper wells on the pump with adequate prices, regulate existing pools, collect data from producers, consider agreements between competitors, and otherwise clean house.

Marketing comes in for detailed treatment. Refiners, wholesalers, distributors, shall not furnish equipment to stations, or replace worn out equipment. Owned or leased stations excepted.

Refiners, etc., shall not sell below cost and "the President is requested" to establish minimum and maximum prices, margins between delivered cargo and tank car prices, tank wagon and consumer prices.

Some 29 rules in the marketing code cover other evils of the industry. Labor is cared for with minimum rates ranging, geographically, from 40¢ to 47¢.

Coincident with presentation of the



Acme

BACK FROM LONDON—Assistant Secretary of State Moley and Herbert Bayard Swope return from the Economic Conference. Moley, parrying press questions, said the reporters knew more about international questions than he did.

Acme

"SAILBOAT IN A FOG"—That's how Oliver M. W. Sprague characterized the American position in the Economic Conference. Back from London, where he was financial advisor to the American delegation, he thought the whole thing should be dropped for a while.

code, came orders from Washington, via Secretary Ickes, to stop the shipment of stolen oil.

Coal

PROGRESS in coal codification is less than the publicity would lead the public to expect. The anthracite section of the industry has made little visible progress, although reports indicate much activity behind the scenes. Bituminous codes, filed with fanfare, represent only a little over a quarter of that section of the industry.

Soft coal coding is a ticklish business. Labor accounts for about 65% of the cost of production, is a minor fraction of the cost of coal's competitors—gas and oil. Besides this inter-industry competition, there is hard and bitter, old-fashioned cutthroat competition between field and field, even between mine and mine, although to a lesser extent. Operators can agree pretty well on what constitutes unfair competition; where they fall out is on wages and hours.

It should be said, however, that the coal industry aims to work out its own salvation in the NIRA heaven, and not toss all its sins in the lap of the preacher like the oil industry.

Organizers of the United Mine Workers, self-appointed Moses of coal workers, have taken NIRA as the sign from on high, made many converts to be led to the promised land. Backsliders have rejoined the union church. About 9 out of 10 have signed union cards, although they are still laboring under contracts made without benefit of union clergy. Missionaries have made the most of their opportunity, many claiming that NIRA constitutes divine sanction for unionization. Operators, wary of the Act, have not resisted the union revival campaigns. Camp meetings have been held in public squares of hard-bitten counties where union preachers did not dare to go before the Act made it safe.

Many Coal Groups

There are 8 soft coal groups, divided by geography and unionization. Of these, 2 have submitted codes to Washington. The Indiana code, which came to town July 1, is based on wage rates of 40¢ an hour for outside workers, 50¢ for inside, which means underground, for a 32-hour week. It covers about 3½% of the industry.

The code filed July 12 is the only one in which the union had a hand. Purporting to be national, it was framed by United Mine Workers and operators roughly aligned in Southern Ohio, most of Illinois, Montana and Wyoming, with part of Iowa, Michigan, western Pennsylvania, northern West Virginia, Arkansas, Oklahoma, Colorado, part of Washington.

This code is based on a 36-hour week, with option of 32 hours for half the year, 40 for the balance. Wage rates, $4 a day outside, $5 inside, for an 8-hour day. There are provisions for a 5% differential under the rate for mines south of the Ohio River, for maintaining existing higher differentials in certain Rocky Mountain states where the cost of living is higher.

Also included, are provisions for minimum prices, general trade practices outlined in the Chicago "model code." Trucking of coal is mentioned, an investigation of the practice is asked. "Snowbirds" (sellers who operate in winter only, without storage or weighing facilities) are condemned. Workers need not trade at company stores or rent company houses, the evils of which practices are much exaggerated.

Majority Code Coming

Now working on a code, probably a joint code, are Northern and Southern groups, covering Pennsylvania, eastern Ohio, northern West Virginia and Maryland. The Southern group represents southern West Virginia, Virginia, eastern Kentucky and Tennessee. Together, they make a majority of the industry.

The fun will begin in the hearings. Any single code for the whole bituminous industry will have to be manufactured in Washington.

Garment Industries

GUIDED in their deliberations by Deputy Administrator Earl Dean Howard, the various branches of the garment industry have submitted separate fair practice codes that carry several identical provisions. For instance, the 40-hour week is specified for the cloak and suit industry, and by the Industrial Council of Cloak, Suit and Skirt Manufacturers, the Merchants' Ladies Garments Association, the American Cloak and Suit Manufacturers Association, the Clothing Manufacturers Association of the U. S. of A. (men's and boy's clothing), the National Association of Blouse Manufacturers.

In line with these provisions, a minimum wage of 35¢ per hour, or $14 per week, is agreed to by these industries, with the blouse manufacturers specifying a minimum of $12 in smaller cities. Special schedules of minimum pay are established for skilled workers such as cutters, examiners, finishers, pressers, ranging from 25% to nearly 200% higher than the minimum minimum.

Miracle Ahead?

Those familiar with conditions in these industries wonder whether they are about to witness a miracle. Nowhere has there been greater chaos, broader disregard of established trade practices. Nowhere has it been more difficult to obtain some reasonable degree of co-operation. Adherence to the projected fair trade codes by a majority in each of the groups would mark, according to some observers, so complete a reversal of procedure, that some members might be expected to succumb under the strain. It is also pointed out that many department and chain store buyers would have to turn over a new leaf since these codes ban selling below cost, secret rebates, discriminations, consignments, special credits and returns and other costly and unwarranted trade abuses.

Manufacturers who have, for some time past, produced goods exclusively in their own shops under well-regulated conditions welcome the attempts made in some of the codes to eradicate the sweatshops and "home work" that have permitted the use of starvation wages to demoralize prices in the last year or two.

Sweating Controls

Under the provisions of the cloak and suit code, firms employing contractors or sub-manufacturers must agree to terms that will enable them to pay the rates provided in the code plus allowances for additional overhead. The code of the clothing industry specifies that, beginning one year after the effective date, no manufacturer shall be permitted to let out "home work" on any garment of part thereof.

Recovery Act Catechism II

Business Week presents more answers to the questions business is asking in Washington.

ONE month ago, the week following the signing of the NIRA, *Business Week* (*BW—Jun24'33*) published 3 pages of a "Catechism" answering, unofficially, various questions about the law and its application. This week it is presenting another "catechism" made up exclusively of official decisions and rulings, by President Roosevelt, Administrator Johnson, and his staff. They give added clarity to the situation.

The authority for the quotations is given in each case: F.D.R. is of course the President; H.S.J. is General Johnson; D.C. is Dudley Cates, assistant Administrator; D.R.R. is Donald R. Richberg, chief of the legal division of NRA.

Handling of Codes

Q. Why must industry hurry to comply with NIRA? A. We have the richest market in the world but we let it get out of kilter and we let it get out because we did not have the purchasing power to consume the products of our industries. Recently we have had a decided improvement but I want to tell you that the curve of production has begun to rise and we don't want to make the same mistake over again. There is only one way to do this and that is by a higher wage and shorter working hours, in order to give people more purchasing power and spread employment. (H.S.J.)

The forces of the depression have not been conquered merely by a rise in commodity prices or in the market quotations of stock and bonds. We still have millions of men and women out of work; we are spending millions of dollars every day to keep these unemployed masses and their dependents from starvation. (D.R.R.)

Q. How soon should codes be filed? A. In his statement of June 16 the President said that this law is a challenge to industry and labor. That challenge must be met in the next 60 days. If the organized groups of either management or labor fail to meet that challenge they will be indicted for incompetence by the suffering millions who are now giving to industrial leadership one more chance—perhaps the last—to justify its authority. (D.R.R.)

Q. How rapidly will codes be handled? A. Hearings will be set within a week or ten days of the filing of a code. Its completion depends on the industry's size and complications. Guided by its experience with the first code, the NRA can assure other industries of early and practically simultaneous action. Several separate public hearings can be conducted at once—now that our procedure has been established and found serviceable. Consolidated hearings may well be held upon codes affecting related industries. (D.R.R.)

Q. When does NRA expect to invoke the licensing power? A. I do not expect to invoke it if I can avoid it. (H.S.J.)

Q. Will you license all units in an industry or just those that will not go along? A. No—you would have to license them all. If a code isn't working out the President can modify it or withdraw it under terms of the Act. If he withdraws it—they have lost the benefit of a code. I don't want to use the license power in any circumstances unless I absolutely have to. (H.S.J.)

Q. Have the anti-trust laws been suspended for all industry? A. We are relaxing some of the safeguards of the anti-trust laws. The public must be protected against the abuses that led to their enactment, and to this end, we are putting in place of old principles of unchecked competition some new government controls. They must above all be impartial and just. Their purpose is to free business—not to shackle it—and no man who stands on the constructive forward-looking side of his industry has anything to fear from them. To such men the opportunities for individual initiative will open more amply than ever. Let us make it clear, however, that the anti-trust laws still stand firmly against monopolies that restrain trade and price-fixing which allows inordinate profits or unfairly high prices. (F.D.R.)

Q. What may a "basic code" contain? A. This code should provide for such a shortening of the hours of labor as will bring about the immediate reemployment of the number of men *normally attached to the industry.* This code should establish minimum wages for the hours of work as limited, so that a decent living may be assured to the humblest worker. This code should contain also the mandatory provisions of Section 7(a) of the Act, protecting the rights of self-organization and collective bargaining for all employees. This basic code may contain other provisions, regarded by the sponsors as essential to eliminate unfair practices and to increase the stability and security of sound enterprises operating in conformity with the code. But it is highly desirable to avoid submitting immediately those comprehensive codes which will deal eventually in greater detail with trade practices and competitive methods and relations. Speed and mass action are essential to meet the far-reaching needs of the immediate future. We cannot wait to hold adequate hearings upon complicated codes concerned with the intimate problems of particular industries. (D.R.R.)

Q. How far will NRA go in preparing codes? A. It is not the function of the NRA to prescribe what shall be in the codes to be submitted by associations or groups. The initiative in all such matters is expected to come from within the industry itself. Neither is it the purpose of the Administration to compel the organization of either industry or labor. (Bulletin No. 2.)

The government has no intention of telling industry what it must do—the initiative must proceed from within industry itself. Industries must solve their own problems before applying to the NRA for hearings. (D.C.)

Q. Is the cotton textile code to be used as a model? A. It is pretty good, but not a model because it might not be applicable to all industries. As a matter of fact there are certain provisions that the statute requires covering the question of hours and wages. Beyond that it seems to me that a recitation of the abuses within an industry are peculiar to that industry, and it is essential to set up a government association. If you have a planning and guiding committee with representatives of the government sitting with it for the purpose of making it go, you will handle the conditions as they arise without stopping to write them out in advance. (H.S.J.)

Q. Are any of the industries hanging back because they feel that they want trade practice in their code as well as industrial self-government? A. All of the codes have got to have that in them. There is one thing I would like to have everybody understand very clearly. I have been accused of soft-pedalling on the trade practice and industrial self-government provisions. I have not at all. They can come in with the trade practice and industrial self-government codes and just as fast as they come in I will receive them. I have emphasized, however, and the President has said, and his statement is our Bible, that the first job is to try to create employment. That doesn't mean that there is any holding back on the other part of the job, which is industrial self-government. We prefer that instead of getting into the refinements of this thing, that they come in in two bites, because what we want first is to shorten these hours and increase wages in order to increase purchasing power. That doesn't mean that we don't want them to come in as fast as possible with the trade practice and industrial self-government. Stabilization of self-government is just as necessary as the

other. The emphasis now is on the creation of purchasing power. We want that to come in first and the other stuff can be brought in later. (H.S.J.)

The Labor Provisions

Q. What provisions must be made for labor? A. In preparing basic codes, the following principles should be given consideration: (*a*) Basic code provisions relating to maximum hours may involve appropriate consideration of the varying conditions and requirements of the several industries and the state of employment therein. An average work-week should be designed so far as possible to provide for such a spread of employment as will provide work so far as practical for employees normally attached to the particular industry. (*b*) Minimum wage scales should be sufficient to furnish compensation for the hours of work as limited, sufficient in fact to provide a decent standard of living in the locality where the workers reside. (*c*) Conditions of employment should contain necessary safeguards for the health and safety of the workers and for stabilization of their employment. (Bulletin No. 2.)

Q. What is the attitude on piece work? A. The President's "conditions" to the Cotton-Textile Code contained the following:

"It is interpreted that the provisions for a minimum wage in this code establish a guaranteed minimum rate of pay per hour of employment regardless of whether the employee's compensation is otherwise based on a time rate or upon a piece work performance. This is to avoid frustration of the purpose of the code by changing from hour to piece-work rules."

Q. What about wages in higher-paid groups? A. The President added these provisions to the Cotton-Textile Code:

"That office employees be included within the benefits of the code. The existing amounts by which wages in the higher-paid classes, up to workers receiving $30 per week, exceed wages in the lowest paid classes, shall be maintained. While the exception of repair shop crews, engineers, electricians and watching crews from the maximum hour provisions is approved, it is on the condition that time and one-half be paid for overtime.

Q. What should be the shorter week and what should be the minimum wage? A. The degree of present activity widely differs in the various industries. The cost of living differs in different regions. The plan is (so far as possible) for each industry to absorb the labor normally attached to it at a living wage in fact and, for that reason, the question cannot be answered for all industries or all conditions by any single inflexible rule. But in a general way and without any commitment we can say for the benefit of smaller employers everywhere that, under present conditions, and as far as the lowest-paid class of workers are concerned, an average of about 32 hours a week at not less than 45¢ an hour for the lowest paid type of workers would do this job. (H.S.J.)

Q. How does the 40-hour week approved for the cotton textile industry affect other codes? A. The 40-hour week code proposed by the textile industry is no precedent for any other industry in different circumstances. The textile mills are at nearly full capacity and there is some question as to whether they can find sufficient skilled employees on a full 40-hour week. A 40-hour week in industry generally would not scratch the surface of our job of putting large numbers of unemployed back to work. Indeed I know of no other industry in which we could even receive for consideration a code proposing a 40-hour week. (H.S.J.)

Q. What should be the basis for determining the minimum wage in an industry? A. The President's "conditions" to the Cotton Textile Code contained the following:

"Approval of the minimum wages proposed by the code is not to be regarded as approval of their economic sufficiency but is granted in the belief that, in view of the large increase in wage payments provided by the Code, any higher minima at this time might react to reduce consumption and employment, and on the understanding that if and as conditions improve the subject may be reopened with a view to increasing them."

Q. In the effort to set up a minimum wage, do you contemplate a better wage in New York than in the South, for instance, for machinists, or a difference in wages paid to carpenters in Seattle and those in Ohio? A. There are differences in living costs. In the common labor rate between Moline (Ill.) and Chicago there is a difference of about 7¢. Yet I think the people in Moline are better off than the people in Chicago. They live in a smaller town, better advantages for children—there is a difference in the economic structure—that we cannot disturb. I think, however, we also recognize that there are some differences that arise from exploitation, where people are living and working at less than a living scale. We can't have that. We can help there. (H.S.J.)

Unionization of Industry

Q. What is the attitude of NRA on unionization? A. Section 7(a) of the Act makes mandatory the right of labor to bargain collectively. There is no use arguing about that. I have a law to execute and I am going to execute it. (H.S.J.)

It is not the function or the purpose of the Administrator to organize either industry or labor. (H.S.J.)

Q. Is industry justified in its concern over the labor provisions? A. There has recently been unfortunate and ill-informed conjecture that there is some mutual fear between labor and industry which has slowed up the preparation of industrial agreements for submission to the President. On the one hand it is said that labor has to rush to organize and submit collective demands before industry submits any agreements. On the other it is said industry should rush to form company unions. Both sayings are wrong and both are very harmful.

The law is clear and it is the law that governs. Under Section 3(a), it is trade or industrial associations or groups and not combinations of trade with labor groups which are to submit codes or agreements, and trade associations have been asked to say in their first or basic agreements what the whole industry proposes to do about hours and wages.

Before any such agreement can be approved, there will be a public hearing and, at that hearing, labor will have a full and unrestricted right to present its case. Furthermore the law specifically requires that every one of those agreements contain a covenant to recognize collective bargaining and not to require men to join a company union as a condition of employment. There is therefore nothing to be gained by haste for either side and certainly the rapid organization of a company union would gain nothing if the purpose is to require men to join it as a condition of employment because that would be in violation of the law. (D.R.R.)

Q. Will there be any attempt to organize men in non-union plants? A. Section 7 takes care of that but also it must be put in the code. I have said this consistently and to everyone concerned, and the American Federation of Labor agrees with me, that this Administration is not to be used for unionizing any industry. (H.S.J.)

Q. Some of the manufacturers have said that the only reason they are holding back is because they are afraid that open-shop industries will be unionized. Could you tell us something about that? A. As far as this organization is concerned I have said over and over again that it would not be used as an instrumentality for the unionization of any industry. Both sides jumped the gun. Even before this Act was passed it was said that the President of the United States wanted everybody in a certain industry to join such and such a union. Then, too, I have seen things that went out saying that you could get the benefits of this Act only if you joined a company union. The purpose of the Act is not to unionize labor nor does labor have to join a company union. (H.S.J.)

Acme

EMPLOYMENT ESTIMATOR—Secretary Perkins congratulates Dr. Isador Lubin, newly appointed Commissioner of Labor Statistics. He is another "brain trustee" kidnapped (from Brookings Institution) for the Administration's staff.

Back to Work

Increase in jobs and payrolls antedates recovery codes but leaves relief workers still busy.

THE cheering squad that has been dinning into the ears of the country its cry that the depression is over receives further support from the June employment figures, just out with the manufacturing industries reporting 7% more jobs and 10.8% fatter payrolls than in May—and an antiphonal chorus of statisticians explaining that ordinarily the trend of employment during this period is downward about 1.4%.

June Makes a Record

"It is estimated that almost 400,000 workers found jobs in the manufacturing industries of the United States during the month of June," says the Bureau of Labor Statistics of the United States Department of Labor. "Estimates show that more than 100,000 additional wage earners found employment in the 16 non-manufacturing industries covered in the Bureau's monthly survey. Employment figures for agriculture, railroads, and a number of other important lines of business and industry not covered by the Bureau also show a significant increase. The level of factory employment for the country as a whole was higher in June than in any other month during the past year and a quarter. The increase was widely scattered throughout the country, virtually every State of the Union sharing in the gains."

Almost 18,000 establishments in 89 of the principal manufacturing industries of the United States having total employees of 2.8 millions and a combined weekly payroll of $50 millions had pushed payrolls 29% above the March low, 9.7% above the level of June, 1932. Of the 14 groups included, 13 reported gains in employment and payrolls, indicating the breadth of the advance. The banner, of course, goes to beer: June employment in the beverage industry stood 95.9% above that of a year ago. Woolen goods were not far behind with a jump of 90% over June, 1932. Cotton goods had a gain of 60%. Radio and silk industries went up 44%. And 13 other industries showed increases of more than 20% in employment.

Wage Rates Rising

During the month 315 manufacturing establishments in 46 industries reported wage rate increases affecting 213,000 employees and averaging 8.8%. Greatest number of raises came in the cotton goods industry—for 76,000 employees. Automobile, boot and shoe, woolen and worsted and rayon industries also reported large numbers affected by rate boosts.

But there is a catch in the cheering. Though the picture is now rapidly changing in industry as a whole, there are many industries and many workers still feeling the full force of the depression. In 31 of the 89 industries reported, the level of employment in June stayed under that of 1932, and during the month at least 4,500 workers were affected by additional decreases in wage rates.

The June employment index is still 37% below the level of the base year—1926. Payrolls are still 57% below that base. Over a third of those employed in 1926 still are out of a job and those that have jobs are being paid with less than half the 1926 payroll.

States Called to Order

The Administration, up to its eyes in relief loans and recovery programs, is again summoning state and local units to bear a reasonable share of the unemployment burden. Harry L. Hopkins, Emergency Relief Administrator, has been meeting with state relief executives and warning them that Washington has the power to refuse federal funds to states, counties, and cities that fail to take hold. "Some states," he said, "are due for a rude shock if they don't come through with action. There have got to be some special sessions of state legislatures. There is nothing sacred about some of these state taxes. Gasolines taxes, for instance. There is no reason why, in many cases, these revenues should not be applied to feed the sufferers from unemployment. It is not the intention of the Federal Emergency Relief Administration to carry 100% of the relief costs in cases where local resources can be tapped."

The Emergency Administration had undoubtedly been reading the latest Department of Labor report on relief expenditures. Total public and private outlay in April was $37 millions, 8.6% less than in March, but 54% higher than in April, 1932. Relief funds from private sources are rapidly drying up. April's $2.8 millions from such sources ran 49% less than the total for April last year and 23% less than in March.

Relief in New York City

In 1932, $313 millions were spent for relief work against $175 millions in the previous year. New York City alone expended $79 millions in 1932 as against $45 millions in 1931. During the first 5 months of this year New York has been relieving at the rate of $10 millions a month and has now been compelled—by its needs and its politicians—to petition the Governor to call a special session of the legislature in order to grant the city government additional power to levy taxes. Finding new taxes for a tax-burdened city whose real estate situation is one of the financial danger spots of the country will be a knotty problem. As in other cities similarly placed, the politicians find little promise in the suggestion that it could be avoided by cutting governmental wastes and passing the saving into the relief fund.

Spectacular Chrysler

While others in the industry jammed on the brakes Chrysler stepped on the accelerator and pushed into second place in sales. An outline of the methods and the men behind the company's capitalization of the depression.

Ask the mythical man in the street to name the home run kings of the automotive league and his Ruth and Gehrig nominations will likely be General Motors and Ford. Maybe, as an afterthought, Chrysler.

As a matter of fact, Chrysler is now in second place, still going strong, and fighting as hard to win the pennant as if it were an immediate possibility. As a matter of history (so recent it is news) Chrysler's rise to the top of the league is the result of careful coaching and many stolen bases.

Plymouth, of course, is the star performer; it is to Chrysler what Chevrolet is to General Motors. Look at the batting averages: In 1928, when Chrysler went to third place (and a low third it was) in total sales, Plymouth ranked 19th. In 1929, it jumped to 10th place, to 5th in 1930, and in 1931 to 3rd, where it still is. In 1930, only 1 car out of 50 sold was a Plymouth, now, it is 1 out of 5.

More figures (and don't skip them: success shows up only in digits) reveal the rising importance of Plymouth to the Chrysler Corporation. In 1930 the car was the baby of the family in production as well as size; it accounted for only 28% of Chrysler's sales. In 1931, the figure changed to 41%, in 1932 to 58%, and this year of slack pockets and small cars it tots up to 72%.

Plymouth's Rise

Plymouth had a small beginning, but it has never suffered a setback. When others had to heavy-foot the brakes, it could afford to step on the accelerator. The enlarged Detroit plant can now make 40,000 Plymouths a month, a most respectable total, these days, and the new capacity is being used. Sales and production records have been broken with such monotonous regularity that it is needless to enumerate the breakage. Suffice it that there have been more Plymouths turned off the line in the first 6 months of this year than in all of last year, and last year was a good year for Plymouth.

Plymouth shipments in the first 6 months of this year totalled 130,117—an increase of 4.3% over the whole of 1932, an increase of 75% over the corresponding half year of 1932, and an increase of 393.8% over the first half of 1931.

Before July, 1931, Plymouth was a raw recruit from the bushes. Its only appeal to the purse was "a full-sized body in a small car." Then, in mid-slump of the second depression year, Chrysler shattered precedent by coming out with a new model with a new and powerful sales point—floating power. Almost 95,000 were sold in the remainder of the year, in full competition with the prides of Detroit and Dearborn.

Worst Year Record

And in 1932, when the automobile industry suffered the greatest shrinkage in its market since 2-car garages became an American symbol, Plymouth registered 111,672 on the sales chart.

At this point Mr. Chrysler's advertising agents began taking pictures of him with arm around the radiator, saying benignly, "Look at all Three . . ." and thereby assuming membership in the major league along with Chevrolet and Ford.

These are the factors behind the success story:

(1) The market for automobiles was shrinking, slipping into the lower price brackets.

(2) Chrysler was still in the expansion stage, could afford to take a chance, and had the gambler's instinct for knowing when to take it.

(3) Dodge, DeSoto, and Chrysler dealers needed a bread-and-butter car for cakeless times; Plymouth needed dealers, got 7,000 overnight.

These are the people behind the factors: Walter P. Chrysler, the good mechanic who became a good executive, actual as well as nominal head of his company. Genial, boyish in his enthusiasms (his self-made tools rest enshrined in glass at the top of the Chrysler tower). No figurehead. Spends less than half the week in New York, the bulk of the time in Detroit. When he's there, his door is always open. Old-timers in the organization (and there are many of them dating from his anonymous automobiling days) say he's "as easy as an old shoe."

Strategy Man

Next to Chrysler himself, is B. E. Hutchinson (called "Hutch" by his intimates), vice-president and treasurer of Chrysler Corp., chairman of Plymouth's board. Plenty of background in production, sales, finance. M.I.T. man, progressively furnaceman, foreman,

Wide World

DR. CHRYSLER—The head of Chrysler Corp., made Doctor of Engineering at the first commencement of the Chrysler Institute, delivers an address in unaccustomed habiliments. The Institute is the first chartered industrial college. Students graduate into Chrysler laboratories. With even its brains self-made, Chrysler Corp. becomes the most integrated of manufacturers.

superintendent, chief engineer, and sales manager in several metal-working plants. With Ernst & Ernst (famous figure hunters) in 1918, and thence, through reorganization of its accounting system, to the treasurer's wicket of American Writing Paper Co. In 1921, to the Chrysler banner.

Then come other members of the Chrysler board of strategy, with no attempt at order of importance. J. C. Fields, president of Chrysler Sales Corp.; K. T. Keller, president of Dodge Brothers; Byron C. Foy, president of DeSoto; F. M. Zeder, vice-president in charge of engineering of Chrysler Corp. No yes-men, any of them.

Production His Specialty

Keller is a production man, at one time headed a supercrew of trouble-shooters for General Motors. A tough nut, even in Detroit which harbors more hard ones than any town, with the barely possible exception of Tulsa and Pittsburgh. Has an immense capacity for work, for organizing and directing large groups of men. Knows machinery and equipment, and all about the innards of motors—and men.

Foy, a distribution man, has been in automotive merchandising for 17 years. He joined the Chrysler forces in 1929, spends much of his time in New York, relieves Chrysler of some of his duties. He married Chrysler's daughter.

Zeder worked side by side with Chrysler when he designed the first car to carry his nameplate. In the motor car business since 1910, he was consulting engineer, then chief engineer, of Studebaker, came to Chrysler in 1920. Under him is an engineering organization of 1,000. He is responsible for many advancements in construction.

After these captains, some able lieutenants—Harry Moock, James Frazer, A. J. Van Der Zee and Roy Peed. Moock, Plymouth's sales head, has been an automobile retailer and distributor, an executive in sales association work. He was the first general manager of the lately lamented National Automobile Dealers' Association, was Hudson's sales manager.

Flexible Organization

Salient in Chrysler strategy is flexibility. The first Chrysler introduced a new note in motor car design, and subsequent new models have followed the old lead. Following the launching of "floating power" in the Plymouth, Chrysler turned to the DeSoto, re-styled it, merchandised it vigorously as "America's smartest low-priced car."

Quick to capitalize again the sales impetus of style, Chrysler next took hold of Dodge, completely redesigned the car, put it back into its old-time price class, just above the lowest, from which it had been lifted in the time between its great success, subsequent sale, and eventual acquisition by Chrysler. Result: Dodge sold more cars in the first 5 months of this year than in all of last.

This same rejuvenating treatment is now being administered to the parent Chrysler car in the upper price brackets.

Flexibility in manufacturing matches the sales shifts. Late last year Chrysler courageously shot the works, installed a production setup in the Plymouth plant second to none. What it cost, at the end of that hopeless year, was written off on the chin of the last quarter balance sheet.

The new setup was designed to make possible profitable operation at low production levels. Instead, it has had to be stepped up to higher levels. Plymouth now uses all the Mount Elliot plant, DeSoto moving into the Jefferson unit, thus keeping that occupied.

Unlike General Motors (*BW—Jul 8'33*) which has pulled in its horns and farmed out its orders, Chrysler tends to become more and more self-integrated. The Dodge plant, an elephant rapidly turning white, now makes parts for all Chrysler divisions. The Dodge foundry has been revamped, now casts the cylinder blocks for all Chrysler cars. All transmissions, likewise, are made in the Dodge plant. So are some of the bodies.

What Chrysler's final score will be, depends to some extent on the competition. Wall Street wisies are already visualizing the stock at 100. But Chrysler is more interested in grabbing first place in sales. To one who has pushed out Ford in second, it doesn't seem impossible.

Auto Premiums

Cross the dealer's palm with the down payment and get a free trip to the World's Fair.

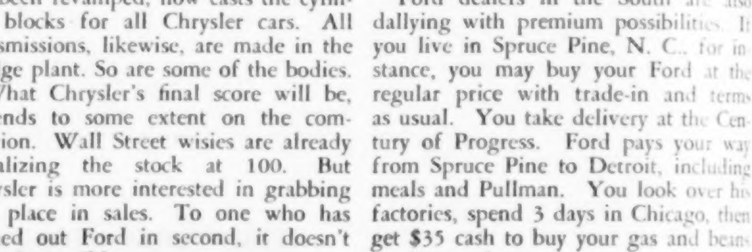
THE something-for-nothing school of selling is not dead by any means; premiums have gone far beyond the dish-with-a-pound-of-tea stage. Latest to join the premium sales school are the automobile dealers.

The Studebaker-Rockne distributors in Cleveland offer a trip to the World's Fair with a new car. Included are free airplane or rail trip in Pullman, free room in first class hotel, free meals in leading restaurants, free sightseeing trip around Chicago, and free admission to the Exposition and the special exhibits.

After 3 days doing the town, the buyer takes delivery on his new car in Chicago or South Bend, 2 hours away.

If the buyer has seen the Fair or doesn't care, he can swap it all for a Philco auto radio, installed free of charge in his new car. What he does if he doesn't want a radio is unreported.

Ford dealers in the South are also dallying with premium possibilities. If you live in Spruce Pine, N. C., for instance, you may buy your Ford at the regular price with trade-in and terms as usual. You take delivery at the Century of Progress. Ford pays your way from Spruce Pine to Detroit, including meals and Pullman. You look over his factories, spend 3 days in Chicago, then get $35 cash to buy your gas and beans on the way home.



International News

MORE EX-UNEMPLOYED—Outside the Chevrolet employment office, where 300 a day are being hired. Chevrolet now employs some 36,000 to turn out its lion's share of increasing automobile production. Last month, all production totalled 245,000 units—fat increase over the 218,171 in May; 183,106 in June '32.

Keystone

NEW BANKING DEAL?—Edsel Ford (right) as he appeared before Judge Keidan, conducting the investigation into Detroit's bank closings. Shortly after, the court adjourned the inquiry, announced word from Washington that plans were in the making for a better banking situation. With Ford are Emory Clark (left) and Clifford B. Longley, Ford attorney.

Detroit's New Deal

Motor city's refunding agreement with major bondholders promises it a breathing spell—if it can line up other creditors.

SINCE Feb. 1 the City of Detroit has not paid interest or principal on its public debt, excepting interest on street railway bonds paid out of current revenues. The city struggled for months to avoid default, but succumbed when the Michigan bank holiday tied up its funds and those of its taxpayers. In the next 10 years $137,850,212 of its bonded indebtedness will mature; $32,793,000 of its past-due short-term notes are now outstanding. These are almost half of the city's total debt.

With tax delinquencies running around 40%, over 40,000 families still dependent on the welfare department for support, real estate values drastically deflated, the city's citizens facing the future with depleted resources, it obviously was impossible for the city to meet its obligations out of annual tax collections and utility revenues (*BW—May24'33*). No market is available for the refunding of the debt by the issuance of new bonds. The only course open is the refunding of the present ones.

Ex-Mayor Frank Murphy, who expended millions on the municipal "dole," fought the bankers at every turn. Mayor Frank Couzens (son of Senator Couzens) has adopted a more conciliatory and businesslike attitude. Besides inaugurating an active campaign against tax slackers, he has achieved an agreement with bondholders which a few months ago seemed impossible.

The new program (*BW—Jun7'33*), now worked out in detail, calls for the refunding of about $290 millions of the city's obligations as follows: All tax-supported bonds maturing on or before June 30, 1943, the water debt maturing in 1940, and the street railway debt maturing in 1935 will be refunded into new bonds to mature 30 years from their date of issue (street railway bonds will mature in 15 years). The city has the right to pay one-third of the interest on all bonds (except water and street railway) during the first 2 years with refunding bonds bearing 3% interest for the first 2 years and 3¼% thereafter. Cash payments of interest will be resumed after 2 years at the rate of the present bonds. Interest unpaid up to June 30, 1933, on the city's tax-supported debt is to be paid in refunding bonds maturing in 1962.

The big job yet to be done in the city's fiscal rehabilitation program is to line up its 40,000 scattered bondholders in support of the plan. While the program already has been subscribed to by the City Council and interests holding over 50% of the bonds, it will not be fully effective unless virtually 100% of the bondholders agree. The most effective argument is the plan will help to restore the city's credit standing, will create an active market for its bonds and thereby substantially increase their market value. Thus, skating on the brink of outright bankruptcy, Detroit has managed to avoid catastrophe and now appears to be on safer ground.

Scrip Problems

Detroit's "municipal money" got a better reception at stores when manufacturers began to pick it for use in tax payments.

DETROIT'S experience with scrip should be instructive to imitators. Lacking cash to pay its municipal employees and its public school teachers, the city issued last April $8 millions in scrip redeemable in 6 months in cash with 5% interest. Retail stores generally fought shy of accepting more than a limited amount of it in trade. Within a week after issue, $1 scrip was quoted at 75¢ on a dollar.

Then, through exchange bureaus, retailers were enabled to exchange their scrip for cash offered by large manufacturers who could use the scrip to pay taxes. Since then it has been discounted only an average of 4%. Retailers, able to absorb a discount of 4% but not of 25%, have relaxed their rules about accepting scrip and the majority of stores are taking it. Some recalcitrants have been persuaded by the willingness of their competitors. Wholesalers have not generally been able to take much scrip from retailers, because they buy 85% of their merchandise outside Michigan, where the scrip is worthless.

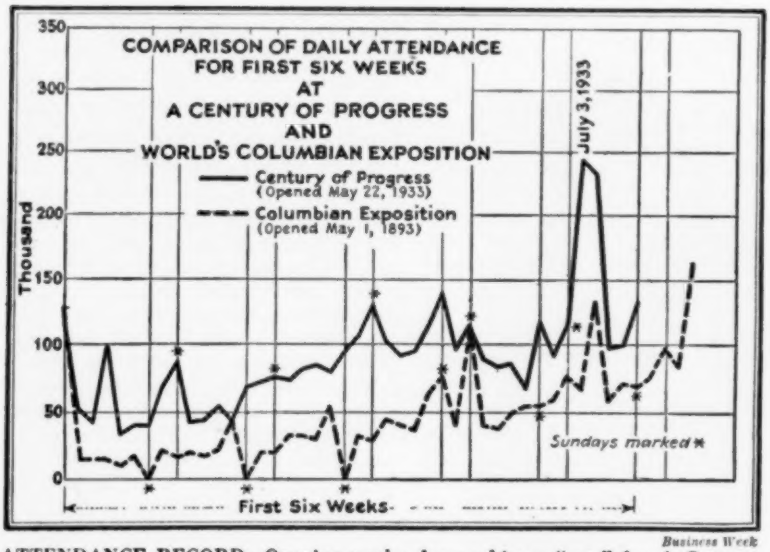
A municipal ordinance makes it an offense for anyone to discount the scrip, but a scrip exchange bureau was established by private interests outside the city limits where it was not subject to prosecution. It is doubtful whether the city will be able to redeem the scrip in cash in October. This depends on how tax collections go in the next 2 months.

Road Map

Works Board plots those new highways to see if they hook up.

A NEW road atlas covering the entire United States is being prepared by the Bureau of Public Roads and the Geological Survey for the use of the Public Works Board. The individual states and a strip immediately surrounding each will be blocked off in rectangles, 90 by 130 miles, on a scale of 8 miles to the inch. On these sheets the Bureau of Roads will trace the road-building projects planned by the states under their allotments of the $400 million grant by Congress.

The maps were requested by the Public Works Board, as none of the state road programs will be finally approved until the board is satisfied that the new roads projected by the states individually, will form a coordinated interstate network—which is why adjoining territory is being included on state maps.



Business Week

ATTENDANCE RECORD—Opening weeks show a bigger "gate" for A Century of Progress than for the Columbian Exposition. Interesting is the difference in Sunday attendance; apparently Father and Mother went to church.

Profits of "A Century"

Chicago, working hard to make money while the Fair shines, is encouraged by attendance to date, doubtful that it will reach the predicted total.

Now that the first 8 weeks of the big show have passed it is possible to examine the indications and determine whether Chicago's "Century of Progress smile" reflects actual improvement in local business or is born of ballyhoo.

Hotels find that delegates to the first of the 927 conventions scheduled for Chicago during the fair are making longer than the average convention stay. For some this creates a problem; for others it buys the first black ink they've seen in a long time. Important hostelries published schedules of prices within which they promised to remain. Two or three have yielded to temptation. The majority have stuck.

In June the Chicago surface lines took in a million fares more than in June, 1932—the first time in 3 years that they have shown an increase over the same month of the previous year.

Good for Railroads

Railroads, after what they have been through, do not like to air their figures and will not allow their statements to be too optimistic. However, the roads leading to Chicago show a marked increase in passenger traffic. June 25 was one of the biggest days Chicago's Union Station has ever experienced. Pullman, a good barometer of conditions on all lines, is admittedly cheered.

Wholesale trade in Chicago is definitely on the increase. Buyers from out of town come to see the fair and stay to buy. Some jobbing manufacturers of ready-to-wear goods are having to work 3 shifts a day and are even selling floor samples.

Many businesses have been born as a result of the fair. Among those living is the new narrow gauge railroad which provides a 2-track system $1\frac{3}{8}$ miles long from Monroe Street near Michigan Boulevard to the north entrance of the fair. Six gasoline locomotives pull 6 trains of 7 open-side cars each. Each train seats 300—takes 5 minutes for the trip—unloads in 10 seconds. Fare 10¢.

Chicago business has caught the spirit of the exposition. Advertising in newspapers is linked to the show. Cooperative programs are worked out in hotels, theaters, and department stores to provide entertainment for the visitor who looks for a change from the main attraction. Local transportation companies have issued maps and other publicity showing spots of interest and how to get there on their systems. The surface lines and the elevated (the rapid transit) go even further: They show each other's routes on their maps. Street car tracks have been laid to the entrance gates. Buildings that have made Chicago eyes sore for years have been torn down to make way for parking lots.

Daily attendance at the exposition is growing. This is gratifying to those who were beginning to worry. It must be remembered that no other fair has ever drawn as much attendance as this has right from the start. Said Dr. Allen D. Albert, assistant to Rufus Dawes (president of A Century of Progress): "I am confident that we will clear all expenses and show a profit by the time the closing date is reached." The figures show that $15 millions have been spent to date. Operating expenses will run to $10 millions more.

Figuring Attendance

The present rate of attendance is not large enough to justify the anticipated total of 50-million. The method of arriving at that figure was not too good. From past expositional experience it was estimated that the total attendance at a fair running for 200 days should be approximately 20 times the population of the host city. Chicago's population is $3\frac{1}{2}$-million—the fair is to run about 155 days.

Most exhibitors are pleased with the response they are getting. The big, widely publicized ones are getting one of every three who enter the gates. Some of the others feel that they are being cheated out of their share of the visitors. The exhibits of Japan, China, Italy, Sweden, Egypt, Canada, Dominican Republic, Czechoslovakia, and Denmark are doing pretty well. These are the only foreign nations represented officially, though private enterprise raises the foreign list to 19.

Serious-minded visitors are upset by the fact that the scientific and industrial displays are at the ends of the grounds and separated by the carnival or playground area. To go from one group of technical displays to another they must pass through a Midway that can cause even a serious mind to lose interest in what lies beyond.

Most popular of Midway concessions is "The Streets of Paris." But its admission price has gone back to 25¢ from the 40¢ level reached on the strength of an appeal to masculinity that, so long as the newspapers cooperated, proved as good in 1933 as it was in the Little Egypt days of '93.

Anti-Slip Slip

In a news item of New England new products (*BW—May24'33*), the Norton Co. was credited with producing a material to keep rugs from slipping. This was slightly inaccurate; the material is actually made by the Behr-Manning Corp., a division of the Norton Co., and not by the Norton Co. itself.

The material, called Kork-O-Tan, is a composition of cork and fibre chemically treated to retain its frictional qualities; it will not wrinkle, mar floor or rug, or get sticky. Used under scatter size rugs, it keeps the head of the house from breaking his fool neck after the little woman has been waxing the floors.

The men who are leading business back to normal today are men who plan every detail of their business campaign *in advance!* For every advertising dollar they spend in 1933 they plan to get a full dollar's return. These men realize that for the great majority of products the American family is their *key objective*... The copy they prepare is planned to appeal to this group... They place this copy in media which reach this group most effectively.

American **Magazine** — the advertising medium which reaches the family in its newly united state.

For this magazine is deliberately edited to appeal to the family group. It is the *one* medium in which an advertiser can logically reach 1,800,000 families —mothers, fathers, sons and daughters.

Strategists of 1933 are placing The American Magazine *first* on their lists... They agree that it is more profitable to make a *concentrated attack* on the family as a whole... than to scatter their shots in media with highly selective readership.

Magazine
ll the family

THE CROWELL PUBLISHING COMPANY
NEW YORK

Farm Relief in Action

Agricultural Adjustment Administration gets off to a good start on its price-raising program for cotton, tries out its licensing power on milk without waiting for trouble.

THE Administration's energy in promoting the reorganization of industry under the provisions of the Recovery Act has for the moment overshadowed the sweeping powers of crop reduction and licensing which are now being energetically used under the provisions of the Agricultural Adjustment Act. Secretary of Agriculture Wallace has announced the successful completion of the campaign to reduce the 1933 cotton area by 9 million acres and the crop by 3½ million bales. The producers who have cooperated in this, either through the cotton option or land-leasing plan, will be paid approximately $150 millions in bonuses, which are to be raised by a 4.2¢ a lb. tax on cotton processors, expected to yield $130 millions. Compensatory taxes are to be levied on competing articles, while increased tariff duties are to be declared on competing imports by Presidential proclamation. Principal articles on which compensatory taxes are expected to be levied are rayons and silks. The method adopted in taxing floor stocks of wheat will be followed on floor stocks of cotton.

Economic Experiment

Thus goes into operation one of the most momentous of our experiments in planned production. The initial success won by Secretary Wallace is a tribute to his energy and persuasive powers. The conservative elements in the country are dubious about the further operations of the plan. They gloomily point out that the textile manufacturers, besides facing increased costs on the raw commodity, will meet heavier labor costs under the Industrial Recovery Act and add that the necessary sharp advances in finished goods may reduce domestic demand.

The point, of course, is not conclusive. It has been demonstrated over and over again that the price of raw commodities is not an important item in the price of the finished product. At a recent meeting of important textile producers, accountants presented figures to show that entire cost of the textile code will be covered by an advance of 5% in the price of the finished goods. Consumers should be protected if asked to pay much more than that.

Even less convincing is the doleful prediction that, because restricted production has failed in some other commodities, it will again fail in cotton. The Stevenson restriction plan for rubber is trotted out as the horrible example. The case of cotton is not at all analagous. In the first place, it is not proposed to skyrocket prices; merely to keep cotton at the 1910-1914 parity, which is 12.7¢ a pound. The proposed cotton price is not far away from cost of production. The Department of Agriculture estimated that the average cost of producing cotton in 1932 was 9¢. The average price in June to the farmers was 8.7¢, and it has been far less than that in the last few years. Therefore, all that is being attempted here is to bring a fair price to producers whose chaotic production is demoralizing the market. This is a far cry from the rubber situation. That commodity, recently selling as low as 4¢ a pound, was bounced up to $1.25 a pound in 1926.

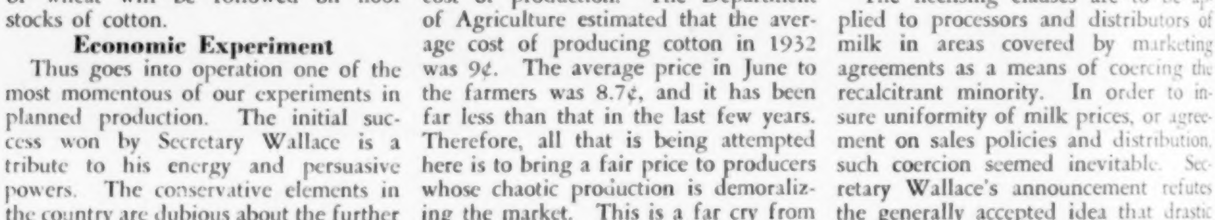
Moreover, even at the proposed price of 12.7¢, there is no danger, similar to that encountered by rubber, that other countries will develop cotton-growing in competition with the South. The South remains supreme in its ability to produce the cheapest cotton in the world, and the proposed price will in no wise place a premium upon production elsewhere. The 12-million-bale carryover at this time is eloquent testimony that cooperation of producers is necessary to reduce production in the interest of economy and not in the interest of exorbitant profits.

Another significant step by the Department of Agriculture was the announcement of the Secretary invoking his licensing power to compel the recalcitrant minority to abide by marketing agreements proposed by the majority of an industry. The policy was announced in connection with the numerous agreements submitted by the fluid milk industry in various parts of the country.

License Powers

The licensing provisions of the Industrial Recovery Act have been the subject of a lively controversy, but that similar drastic provisions are in the Agricultural Adjustment Act has been generally overlooked. The Secretary of Agriculture is empowered to issue licenses wherever it is necessary to eliminate unfair practices, and a person caught doing business without a license, if one is required, is subject to a fine of $1,000 per day.

The licensing clauses are to be applied to processors and distributors of milk in areas covered by marketing agreements as a means of coercing the recalcitrant minority. In order to insure uniformity of milk prices, or agreement on sales policies and distribution, such coercion seemed inevitable. Secretary Wallace's announcement refutes the generally accepted idea that drastic licensing measures will be used as a last resort only. The Secretary evidently proposes to use the weapon placed in his hands to its fullest power whenever the need arises.



Keystone

AGRICULTURE'S ORGANIZERS—Secretary of Agriculture Wallace (left), Administrator Peek (center) and Finance Administrator Johnston check their progress. The cotton campaign reduced the 1933 area by 9 million acres, the crop by 3½ million bales.

Wide Reading

A SHORTER WORKING DAY AND A MINIMUM WAGE. Sidney Hillman. *Harvard Business Review*, July. "The problem which must be solved in this country before any other can be solved is that of the total unemployment of millions, the partial employment of more millions and the existence of a low wage standard for those who are employed." One of the most practical and experienced of labor union leaders discusses the most serious problem of the whole recovery program.

ORGANIZED FOR THE JOB AHEAD. *Factory Management and Maintenance*, July. A management magazine studies one of the first industrial codes, analyzes it in terms of NIRA demands.

RUSSIA AND AMERICA: A STUDY IN CONTRASTS. William Henry Chamberlin. *Atlantic*, July. Intimate glimpses of new Russia, for the skeptic. Interesting in view of fresh talk in Washington of "closer ties with Moscow."

THE STARS AND STRIPES IN MOSCOW. William C. White. *Vanity Fair*, June. In a time of trade decline, the proposal to establish relations and commerce with Russia gathers followers.

PRESIDENT ROOSEVELT AND FOREIGN OPINION. Harold J. Laski. *Yale Review*, July. Europe is not clear about the direction affairs are likely to assume under Roosevelt but confidence is placed in his courage and energy. What Europe expects from him.

PROPOSED NEW FOOD AND DRUGS LAW EMBODIES FUNDAMENTAL CHANGES. *Food Industries*, July. The new bill in detail—with searchlight on seven major new provisions.

IT PAYS TO FIGHT FOR LOWER RATES. O. S. Dean. *Nation*, July 12. The experiences of Sioux City electric current users in their fight to get rates reduced.

REPORTS—SURVEYS

TRADING UNDER THE LAWS OF GERMANY. Bureau of Foreign and Domestic Commerce, Washington, 218 pp., 15¢. America's second best customer in Europe has a whole new set of trade regulations. Here they are—as of June 1.

INDUSTRY'S OBLIGATION AND ITS OPPORTUNITY. NATIONAL INDUSTRIAL ADVISORY CORP., New York, 24 pp. Brief interpretation of NIRA and the demands it makes on industries. Trade associations' responsibilities, how to meet them.

BOOKS

WRECKING ACTIVITIES AT POWER STATIONS IN THE SOVIET UNION. Amkniga Corp., New York, 3 vol. Translation of the official verbatim report of the trial in Moscow of the British engineers accused of sabotage in Soviet power plants. Especially interesting because trade break with London has recently been mended and trade relations with the United States are improving. •

MODERN MONEY. Joel Carter Bonine. Stratford, 129 pp., $1.50. Money—its functions explained simplp.

VALUE THEORY AND BUSINESS CYCLES. H. L. McCracken. Falcon, 270 pp., $4. What really cases the business cycle, and are there reasonable correctives for it?

Wall Street Cheers Repeal

As more states fall in line, the market goes on a spree with whisky and related stocks. The Treasury weighs its need of revenues against a subsidy to bootleggers.

WHEN states from an erstwhile dry South stepped somewhat shamefacedly into the prohibition repeal column, the wets declared that it was all over but the shouting. Of this we are going to have plenty. Wall Street already had appointed itself cheer leader. That volatile dependency was happily engaged in whooping up an oversize bull market. Extra swigs at repeal aggravated the stimulation already enjoyed by liquor and allied securities, guaranteed a spree that is going to be something to watch. Temperate well-wishers hope the celebrants won't end up, with glowing noses, in the gutter.

Repeal Support

Repeal appears to be assured by a well-oiled and financed wet organization, by the pressure of President Roosevelt's enormous influence on wavering states, by the hankering of frantic tax-gatherers to repatriate the bibulous J. Barleycorn who doesn't mind paying revenue. Dry leadership is demoralized and its war chests are empty. Here are the underlying excuses for the stampede to wet stocks. Distillery and alcohol issues have gone hay-wire. One has risen almost 2,000% over its low for the year. Threefold increases are common. Allied securities have received jolts of the strong waters, are rearing around with similar abandon.

A review of these didoes gives one a dizzy, 1929 sort of feeling. National Distillers common sold this year as low as 16⅞; as this is written, the market is 122½. Good old Hiram Walker, eminent Canadian, makes the foregoing achievement look like something that happened in an ice cream parlor. Its year low was 3½; current price, 59⅛. Distillers Corp.-Seagrams, also Canadian, soared from 15½ to 45. Brewers & Distillers, of Vancouver, B. C., Distillers, Ltd., of Scotland, also are kicking up their heels. Booze travels in bottles; Owens-Illinois Glass adds this to other favorable factors, rising from 31½ to 95. Lehman Bros., New York bankers, announce a flotation for Schenley Distillers Corp., at $15—and the price bounces immediately to over $40. Industrial alcohol companies may turn to the distillation of laughing waters, so their stocks are given a ride. Issues of bottle stoppers feel the stimulus. Even after Thursday's break, prices were still high.

What is the justification for these antics?

There is some excuse in the assurance of repeal and in the relaxation of enforcement. But most of the stimulant is hope and some of it just hop. National Distillers is a good, solid domestic corporation which dominates the legal liquor business, whose management is not given to monkey-shines. It has manufactured about 40% of the medicinal liquor produced under U. S. supervision. Last month it reached out and gathered in the Overholt and Large distilleries. (To the old railbird, its brands suggest sweet memories and raptured anticipations: "Old Grandad," "Green River," "Mount Vernon," "Old Taylor," "Sunny Brook.") Total assets are over $24 millions.

For the first quarter of 1933 the company's operating income was $235,738, a fall from the same period last year. Preferred stock pays $2.50: A 50¢ dividend on the common was discontinued last August, so that a lot of optimism was required to push this stock over 122. National recently got in step with the times by raising the price of its wares. It has some 6½ million gallons of liquor in stock. (Total for the country was 10 million gallons at the end of 1932, when the Hoover control issued permits for an additional 2 million distillation.)

With the nation panting toward repeal, National's aging spirits take on an added value. In the meantime an actuality has been capitalized by market operators.

Prescription Results

Our country, used to endless jockeying on liquor legislation, marveled when the Roosevelt Administration jammed through a punch-drunk Congress a measure which allowed physicians to prescribe liquor in unlimited amounts. It took effect May 15. The result in revenue was less than was expected. Last May, the tax brought in $573,995, against $551,719 for May last year. Apparently prescription users soon caught on, for June revenues jumped to $737,275 as against $557,981 for June, 1932. There is a reason—which points a moral —why collections aren't even better.

In New York a typical drug store sells bonded liquor at $2.50 a pint plus the prescription fee. That is $5 a quart even when a friendly medico furnishes an order for nothing. One druggist chain prices a case at $45, arranging for the necessary prescription which brings the cost to, say, $50. On this basis the bootlegger can still compete. This national disgrace is a smart merchandiser, his distribution system is as effective as his lethal organization. Prices have been cut to meet competition. Booties are selling pretty good stuff for $48 a case. It is not as good as the drug store brands, it pauses at the water tap before reaching the consumer, but the buyer doesn't have to monkey with prescriptions, the more you buy the less you pay, and all costs are c.i.f. the kitchen door.

When the bars are let down to legalize manufacture and sale, the outlaw distributor will be in a tougher spot. Plug uglies who relied on bootleg booze to keep them in blondes and silk dressing-gowns may be driven to assume the more hazardous calling of "snatchers" and "finger men"—kidnappers," to the upper world.

But they are not licked yet. The promise of tax revenue more than anything else turned the country toward repeal. Lawmakers have before them the delicate problem of adjusting taxes

Business Week

ALUMINUM BEER KEG—Another **contender for the honors** once worn **by white oak staves alone** is the aluminum barrel. **Lighter than** ordinary **(even a boy can lift one)** they save **freight, need no pitch lining.**

with sufficient nicety to insure a huge revenue without raising prices so that smugglers and bootleggers can undercut legitimate sales. For years taxpayers have been dolefully entertained by the sound of their vertebrae cracking while government piled on heavier burdens. In imposing the latest backbone benders, shrewd Mr. Roosevelt promised that the taxes would be eased if the country voted repeal and allowed the Administration to draw from a revived liquor traffic enough revenue to carry recovery's own $3,300 millions.

In the fever of success, Wets are talking wildly of $8.50 a gallon taxes, over $730 millions annual total to the federal government without counting state and local takings. Conservative Budget Director Lewis W. Douglas is thinking about a $3 a gallon tax and a tariff of like amount for importations in place of the present duty of $5 a gallon. On this basis and figuring that more states will be wet than the 15 in 1913, Mr. Douglas estimates that liquor will produce not less than $450 millions annually (excluding beer and wine levies).

Here is a glad promise for the taxpayer and nothing to dismay speculators who are riding up the "wet stocks." Especially cheerful are those who have bet their chips on the Canadian companies. American distillers (there are 9 small ones in addition to National) can easily step up production, but good whiskies have to be aged. Until domestic stocks catch up, imports of seasoned distillation must take care of demand. No wonder there is dancing and singing in The Street.

Department Stores

Hitler bans handicraft shops in German department stores. No more barber shops, special bakeries, banking facilities.

FIELD's, Jordan's, Macy's are typical department stores in Chicago, Boston, and New York. In Berlin there is Karstadt or Tietz.

Features are universal. "Meet all the customer's needs." Barber shop, jewelry repair, circulating library.

Hitler has other ideas for the German department stores. He's not friendly. They are squeezing out too many small industries. After Oct. 1 he will stop all this.

German department stores must give up their own watch repair departments, the printing of stationery, the developing of passport photographs, making of pastry, candy, sausages, maintenance of barber shops and hairdressing departments, banking offices. They may continue to sell "only the goods which other people produce."

After London

Conference formalities may end July 27; individual bargaining is just getting started.

SOME critics believe that as soon as the formal sessions end, not even committees will continue to work. These are the critics who proclaim the conference a failure because it did not bring about a return of the status quo of 1929.

Other critics believe that the present meeting in London, though it has failed to produce a monetary accord—one of the 2 major objectives on the formal agenda—and has been forced by a minority group, for this reason, to abandon mass consideration of the other major topic—tariffs, has accomplished something which is going to lead to continued international bargaining during a period of temporary adjournment.

Wheat on Credit Side

Gloomy critics see only the fact that the conference agreed on but one little item in the agenda: the need to organize major producers of a great commodity. Wheat stands a better chance of orderly marketing as a result of the agreement between Argentina, Austria, Canada, and the United States.

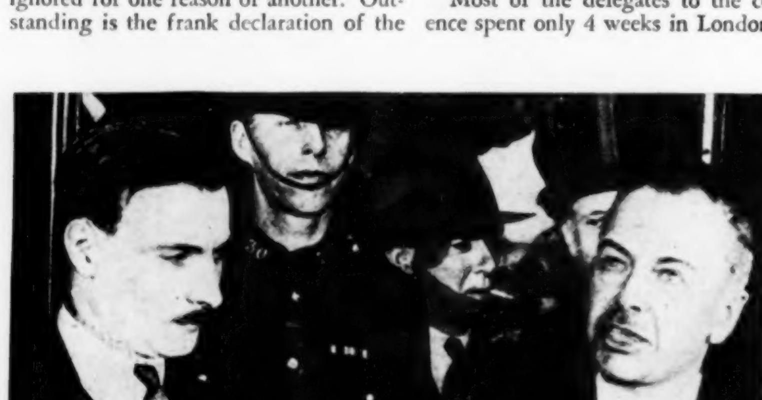
Other accomplishments at London are ignored for one reason or another. Outstanding is the frank declaration of the United States policy of inflation and price raising. Not even at home was the Roosevelt policy fully comprehended until it was explained for the benefit of the London delegates. Once stated, Europe became conscious of what President Roosevelt was trying to do. "Progress reports" from Washington were spectacular, convincing. The British dominions, especially those closely related to the United States in world marketing problems, backed the policy. So did an influential part of the British government.

Because the United States is such a large producer of certain commodities, and a huge consumer of others, the inflation program has affected world commodity markets profoundly. Raw materials producers see themselves lifted out of the economic morass of the last 3 years if the trend continues. Bankers foresee that they may be able to meet their debts if income continues to expand. Public opinion is gradually forming its own decision on the course it wishes to back.

Most of the delegates to the conference spent only 4 weeks in London. In that time they informed Germany that they would not accept the transfer moratorium decree on the German long-term debts, and they forced an easing of the terms (page 23); at least 11 nations grasped the opportunity to talk business with the Soviets and Britain patched up a nasty trade quarrel which may involve annual trade between the countries of several hundred millions of dollars; all the great merchant marine carriers discussed government subsidies without coming to any agreement but not without some rather helpful exchange of views; almost every great nation watched opportunities to start trade talks with possible new customers, or planned trade expansion agreements with old customers; all became "managed-currency" conscious. Perhaps every one of these things could have been accomplished without the London meeting. Progress, however, in the years before the conference had been slow.

"Easiest Way" Not Easy

There is every evidence that many of the countries represented at the conference would like to resort to economic nationalism as the easiest way out of the present difficult situation. There is little evidence that many of them can live entirely within themselves. It seems likely that the next year will be marked by a feverish effort to make all the reciprocal trade bargains possible, by plans to regulate production and distribution, and ways of meeting problems at home. Some time along the way, people will discover more definitely the course they must follow. Then the World Economic Conference can continue united action where it is leaving it this month.



Acme

RANSOMED BY TRADE—Thornton and MacDonald, the British engineers convicted of sabotage by the Soviets, on their arrival at Liverpool St. Station, London, after their release. The 2-hour difference in time between London and Moscow enabled both governments to save face—Britain said Moscow had released the prisoners, so withdrew the embargo on Russian trade; Soviets said Britain had capitulated, so released the prisoners.

8-Day Houses

Germans have invaded the British market with an all-metal portable house which comes in standard sections, can be put together in 8 days.

LONDON—Britain's rapidly spreading interest in housing has attracted the attention of German fabricators who have a portable metal house which they are pushing on the British market. It can be completely erected in 8 days.

The outer walls are made of 2 plates, the inside one of steel with a lincustra finish, the outside one of copper. The 4-inch space between the walls is filled with laminations of asbestos. Claims include: (1) an insulating value equal to a brick wall 7 feet thick; (2) fuel requirements only half those of a brick building. All wall plates are made in standard sizes and are interchangeable. Partition walls have provision for double windows. Wires for power and lighting and water pipes are laid in the asbestos cavity. The roofing is of copper plates.

Germany's Plan to Pay

New plans for German transfer moratorium less drastic than first announcement. "Blocked marks" will transfer at a discount.

Day by day Berlin is working out its debt moratorium, and each new announcement gives creditors a little more hope.

It was on June 9 that Dr. Schacht first announced that Germany would probably be forced to declare a transfer moratorium on the country's foreign obligations not already under a moratorium. He asked creditors to come to London at the same time the London Conference was trying to get under way to discuss the whole problem of repayment. Obviously, he was trying to win German manufacturers a larger market in creditor countries as a means of repaying the debts. Creditors scanned the trade balance for the first 5 months of the year and decided that there was no need for a complete transfer moratorium.

Exempted Loans

Four weeks of bargaining have finally brought results. The Dawes 7% loan to Germany is to be entirely exempted from the moratorium. All obligations abroad on this loan will be met and transferred. On the Young Plan 5½% loan, only the interest charges will be transferred abroad in foreign exchange. Finally, the $125-million Kreuger loan made to Germany in 1929 in return for a match concession will be exempted.

Beyond these 3 specific cases, there are a "few other loans," which will be serviced as usual. These are primarily loans on which foreigners might collect by the seizing of German property. It is supposed that this applies to shipping loans.

How Interest Will Be Paid

On the balance of Germany's long-term indebtedness, interest payments (up to and including 4%) will be met in this way: one-half of the amount due will be paid in foreign exchange delivered abroad; on the balance the Reichsbank will give checks on the Conversion Bank into which the amounts due will be paid regularly in marks and transferred when possible. As far as possible, the Reichsbank will maintain an open market for these checks which, it is believed, will be discounted up to 50%. Foreigners will literally receive, then, about 75% on the interest and amortization due them on their long-term investments in Germany.

These new provisions cover the period only between July 1 and the end of the year. At that time, Dr. Schacht will meet again with creditors and reconsider the regulations in view of the progress the world may have made in reviving a normal flow of trade.

Business Abroad

Activity is shifting from mass negotiations at London to small committees. World markets trail United States lead. Hitler reverses most radical policies. Roosevelt opens trade negotiations with Latin America.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Aware that the World Economic Conference is going to adjourn, at least temporarily, European countries are busy this week looking out for their individual interests. Only a few plans are yet evident, but plenty are in the making.

The public is becoming increasingly aware of the small minority which makes up the gold bloc. Its position has not greatly changed during the week, except that the Dutch guilder and the Swiss franc have shown recurring signs of weakness. In Britain, and in other countries, there are new evidences that the "link the pound to the franc" policy of the Bank of England has a steadily dwindling support from the commercial public. The interest now is in price lifting and in the theory of a currency deliberately managed, rather than one tied to a fixed standard such as gold.

Another problem is troubling Europe. Foreign trade returns for June are generally unfavorable, but Germany and France are most perturbed. In the case of Germany, Dr. Schacht has been so insistent that the country's trade balance must be maintained or that foreign debts can't be paid that everyone is nervous when the total falls. It did in June, to a bare $7 millions. Only because of the transfer moratorium was the Reichbank able to add to its gold stocks during the month.

Export Competition

The situation in France is less acute, but it is still serious. France is actually on the gold standard; Germany is only artificially so. In both cases, their foreign markets are jeopardized by the declining value of the dollar. With the yen still depreciated more than 50%, the dollar and the pound about 30% below par, German and French gold prices are too high to tempt foreign buyers. Germany is partially getting around the problem by selling blocked marks at a discount if applied to purchases of German goods. France has not yet solved the problem.

Business is improving gradually. Stock prices are lagging only a little behind Wall Street. Commodities are rising. Industrial activity is greater than a week ago and unemployment is still declining. Improvement, however, is still largely internal. New efforts to stimulate foreign trade are likely to come in small groups following the formal postponement of the London Conference of 66 nations.

Germany

Business activity continues to pick up. Hitler takes drastic steps to protect responsible executives. Tariff on lard raised to cover dollar depreciation.

BERLIN (*Cable*)—"We must not remove a business executive if he is a capable business man but has not yet become a Nazi, especially when the Nazi whom we are putting in his place has no idea about what business management is."

This is the key to Chancellor Hitler's new policy in Germany. He has called a temporary halt as far as the realization of the economic aims of the Nazi party are concerned. He seems resolved this week to put an end to interventions of petty party leaders and organs in the current affairs of business enterprises which have done so much harm lately and have affected business morale.

German Cooperatives

Importantly, department stores are no longer to be molested though they were a focus of every attack the Nazi party made on big business during the campaign and the early months that Hitler was in office. Also, all action against consumers' cooperatives (very important in Germany) must end. More than half a million men and women are employed by the cooperatives. One of the leading cooperatives in Western Germany—Barmer Konsumverein—was obliged to stop payments last week, with 15 million marks liabilities, of which 7 millions were savings deposits. Practically all consumers' cooperatives in Germany accept deposits, the depositors being recruited among the working classes. It is easy to imagine the amount of consternation created when one of these cooperatives failed and the others faced the prospect of going into bankruptcy because they were being forced to liquidate in a hurry. It is likely that the about-face has come in time to save the rest.

It is possible that the shift in policy will revive business confidence. During the week, however, business refused to be cheered by statistical improvement or by the new promises of security from the Nazi leader. June exports were 9% below the level for May, but the favorable trade balance passed $7 millions. Stock prices were steady, but bonds were weak on the fear of internal inflation to meet the demands of Hitler's work-creation program.

Industry continues to show gradual improvement. Textiles, iron and steel were more active and the paper industry is beginning to show signs of revival. Domestic machinery orders for the first half-year were 11% above last year, but foreign orders were off 40%, largely due to the decline in Soviet buying.

Americans are perturbed by the promised increase in the lard duty from 12¢ to 50¢ a lb. It is made necessary by the depreciation of the dollar, the government claims. It is the first move to counterbalance dollar depreciation and is significant.

France

Bourse and foreign trade sensitive to continued decline of dollar exchange. Soviets place small orders for French steel pending completion of trade agreement and new credit terms.

PARIS (*Wireless*)—France took a long week end following the national holiday—July 14—with the result that business has been featureless all week.

The most spectacular development was the decline of the dollar Tuesday to the lowest level since it left gold, and to the point where the pound sterling in terms of dollars was back at its old parity of $4.86. French bankers chalked up the day as a milestone in the history of foreign exchanges.

There is little gloating over the decline of the dollar. So far, the franc has shown no serious signs of weakness but the Bourse and French foreign trade are both reacting to the downhill course of dollar exchange. During the week the Dutch guilder and the Swiss franc were weak.

Costly Francs

France had new cause this week to be alarmed over the foreign trade outlook. Half-year figures, when they were released, revealed that totals have fallen to a new low record, well below the total for the first 6 months of 1932. Since the dollar left gold, French products have had to face an almost impossible situation in foreign markets. The great producing countries now competing in world markets with depreciated currency prices are pushing French products out of the market.

Sole ray of hope in the export field is the reported orders which have been placed by the Soviets this week with the French steel industry. Details are not yet revealed, but it is understood that

the orders this week are small, and are only preliminary to business which may run to $22 millions as soon as satisfactory credits are arranged. It is important because it is the first sign that France is going after Soviet business under a new trade agreement following several years of extreme antagonism to Russia.

The number of registered unemployed at the end of June showed a decrease of 25% compared with the first week in March, when the spring revival began.

Great Britain

Business in good shape, and progressing. New chemical plant will produce gasoline from coal. Foreign trade prospect no better.

LONDON (*Cable*)—Commercial London is frankly disappointed over the prospect that the conference is going to adjourn without definitely settling any of the major problems. Business, however, has suffered no setback. The tone, in fact, is excellent, with recent recovery continuing and unemployment declining. Stock markets have been a bit irregular this week due to profit-taking. Commodities have been good, with rubber touching a record high price since 1930.

Outside the conference, the English remain optimists. It is true that world trade is still shrinking, but Britain is keeping up her percentage of the smaller total. For the first four months of this year compared with the same period last year, the percentage values of declines of export trade were:

United States	26%
Germany	25%
France	14%
United Kingdom	9%

May totals are available for Britain and show that the 5 months' decline has dropped from 9% to 7%.

Tariff Revenue

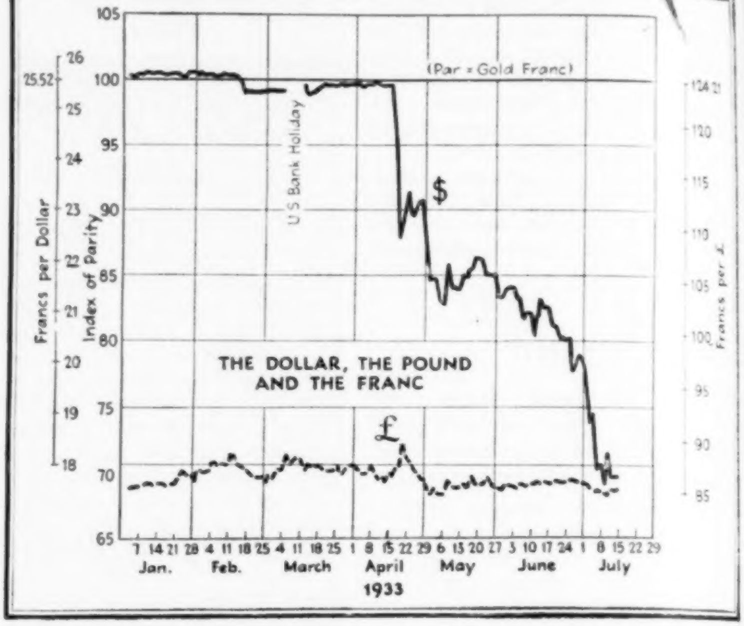
Britain's new tariff policy has so far produced nearly £24 millions of revenue without interfering with raw materials and essential foodstuffs, and the Ottawa agreements have caused some improvement in trade with the Dominions. The recent new agreements with the Scandinavian countries and Argentina are now beginning to show beneficial effects. Coal exports have increased 3 million tons. For the first 5 months of this year, the balance of trade was £20 millions better than during the same period in 1932.

One of the most encouraging developments during the week was the announcement by the government of definite plans to protect a home industry for the production of hydrocarbon oils from coal. Imperial Chemicals has carried on a long lobby campaign to get govern-

ment protection for the oil which might be produced from domestic coal. When the campaign was started, cost of producing the oil was estimated at 7d, but it is believed that more recent experiments have reduced the cost.

The real significance of the new development on the immediate future of British business is the fact that it will give direct employment to 7,000 workers, will bring 1,000 men back to the coal mines to produce the 35,000 tons of coal the plant will consume annually, and put a large number of men back to work in related smaller industries. Annual production of gasoline is expected to run to 30 million gallons. All the materials to be used in the new chemicals plant at Billingham will be purchased in Britain.

Projects of this sort are likely to be encouraged by the government in coming months. This more or less qualifies the government's recent denunciation of vast public works programs as they have been proposed by President Roosevelt. It should not be thought, however, that this means that Britain will be eager to back such programs financially in Eastern Europe where they are especially needed.



$ SHRINKS—When the U. S. left the gold standard, the dollar dropped to about 80% of its former gold value. After Washington sternly ended stabilization hopes at London and hinted further deliberate devaluation, it started dropping again. It has fallen to the level of the pound since this chart was drawn.

Latin America

Roosevelt starts negotiations for reciprocal trade treaties with Argentina, Brazil, Colombia, Cuba.

It is too early to predict how much optimism can justifiably be attached to the move by Washington to set up new trade agreements with the major Latin American countries. Argentina, Brazil, and Colombia are the first to be invited to talk business, make suggestions.

A few critics interpret the move by President Roosevelt more as a bit of defiance to the Europeans who refused to cooperate at London than as something definitely a part of the new Administration's policy. Others recall that the President has indicated that he wants to build up a larger reciprocal trade with those countries—particularly Brazil and Colombia—where our trade balance is especially unfavorable (page 27). With the Argentine, where we sell much more than we customarily buy, he is proposing that we reconsider our tariffs, try to make way for the sale of more Argentine products in the United States without endangering the market for American farm products. The ban on Argentine lamb and mutton, for instance, may be eased, and the tariff on linseed might be reduced. With Brazil and Colombia, it will be a matter of opening wider markets in those countries for American manufactured goods, more or less to balance the enormous coffee purchases made by the United States. Dollar depreciation gives United States exporters a more even break against European competitors for Latin American markets and makes it easier for these countries to meet their debts in New York.

If the first formal invitations to negotiate trade expansion were extended to South American countries, neighbors nearer home are not forgotten. Cuba is likely to profit from larger sugar imports in the United States, is expected to offer new tariff privileges to Americans.

Relations with Brazil were furthered this week when Capt. Joao Alberto Lins de Barros, and a delegation of Brazilians, arrived in New York from Rio on their way to Chicago's Century of Progress exposition. Other Latin American delegations are expected during the summer.

Far East

China's foreign trade expands. Japan enlarges sales to Africa. Japanese merchants want to talk foreign trade restrictions with British industrialists.

China's threatened floods have not yet materialized and business is generally showing increased activity. Foreign trade figures for May, just released, show 20% larger volume than in April. The outlook generally is good. Alert merchants in Europe and the United States are taking advantage of Chinese determination not to buy Japanese goods if other products can be secured just as cheaply.

The political situation in China is no brighter than it has been for some time. The Nanking government is still weakly in control, but the unsponsored campaign of General Feng in Chahar against the Japanese, despite the truce between Nanking and Tokyo, is typical of the division of political power in China.

The League of Nations is attempting to bolster China. A "coordinator" has been appointed by the League to go to China for the purpose of aiding the government in securing whatever expert advice it may seek from abroad, and of bringing unity into the efforts of the 12 international experts already employed by the Chinese National Economic Council.

Little significant news has come out of Japan during the week. The Soviet-Japanese conference has failed to reach any agreement on the sale of the Chinese Eastern Railway. Japan's exports are still large, about 50% above last year's figures. Markets in Africa, especially, have expanded.

Some interest is attached to the appeal from merchants in the Japan Economic Federation to British industrialists for a conference at which they might debate mutual problems in the foreign trade field and possibly arrive at some agreement to restrict competition in specified markets.

Markets in Latin America

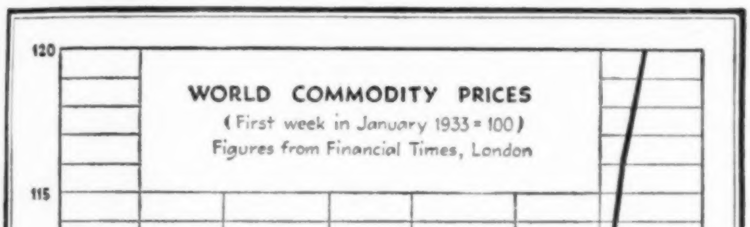
President Roosevelt has inaugurated his drive for reciprocal trade treaties with invitations to Argentina, Brazil, and Colombia. Cuba may get first concrete offer.

THERE are more than 100 million potential customers in the region south of the Rio Grande which is loosely termed Latin America. Brazil, the largest country in this area, has a population as great as France. Mexico, Argentina, and Colombia are all sizeable markets.

President Roosevelt has made an open bid to revive languishing trade between the United States and these Latin American neighbors. When it became evident that no multilateral agreements were going to be reached at London, at least in this first session of the World Conference, Washington started out to line up some bilateral accords.

Cuba probably got the first invitation, though it came in a sort of roundabout manner. Cuba was once among our best 10 customers. During the War years when the United States was dependent on the island for most of its sugar, the Cubans reciprocated in good business fashion by buying a lot of American manufactured goods and some agricultural products not raised at home. The 2-cent tariff on sugar decimated this trade and cut Cuban purchases in the United States to a bare $28 millions last year. In the "good" years, Cubans bought more than $200 millions of American goods.

President Roosevelt set out to restore this trade in a shrewd way. He urged an increase in the quota of sugar which Cubans are allowed to bring into this country under a preferential tariff rate. This is already practically agreed. With this concession, Washington can now ask the Cubans to reduce tariffs on American products, especially lard.



—U.S. PRICES SOAR—President Roosevelt has promised a cheaper dollar, so commodity prices are rising to counterbalance the expected depreciation. They are following in Britain, but in France mountainous tariffs and the gold standard have kept them fairly steady.

Argentina, Brazil, Colombia, and Chile have also been invited to discuss new reciprocal trade agreements. The problems are not at all the same. The Argentine is eager to do business with the United States. In the past there have been mounting barriers because most of Argentina's exports are agricultural products which compete with American products. It is urged now that perhaps Argentine linseed should be less drastically taxed, and that possibly Patagonian lamb and mutton can be allowed in this country. Even if the imports are put on a quota basis, and the quota made comparatively small, it is a gesture of goodwill which won't be overlooked by southern neighbors. Certainly it is the diplomatic way to go about opening up Argentine markets to United States automobiles, machinery, gasoline.

There is no doubt about Argentina's interest in the proposal. President Roosevelt has already talked with Ambassador Espil. In Buenos Aires, his government is interested too. A few months ago an Argentine trade mission in London worked out terms for a new trade agreement between the 2 countries. To many, they seemed to favor the British. The agreement has not yet been ratified. The Argentine government split last week on the question. Perhaps it is due to diplomatic maneuvering; perhaps they want to reserve some concessions for Washington.

Balance Against Us

There is a different problem in the case of Brazil and Colombia. The bulk of the coffee consumed in the United States comes from these 2 countries. With both of them we have an unfavorable balance of trade. Last year, for example, our purchases in Brazil ran to $82 millions, our sales to that country to only $29 millions. From Colombia we bought $60 millions, sold $10 millions, of goods. Reciprocal trade in this case means something more for the United States.

With this bid to Latin America for more business, President Roosevelt is following a policy outlined as long ago as March. The export world, accustomed to doing its largest volume of business with Europe, has predicted that the President is going to turn to Latin America, Russia, and the Orient for new markets. They have vast populations. They do not primarily produce manufactured goods in sufficient quantities to meet their own demands. They produce raw materials needed in this country. The R.F.C. loans to China and Russia and these cordial invitations to Latin America are straws which indicate which way the wind is blowing. If world trade barriers cannot be battered down on a mass scale in London, perhaps they can be successfully overcome in regional accords.

The Figures of the Week

Activity spurts ahead at new high pace. Administration has misgivings but industry is spurred on by low stocks, the imminence of higher costs because of codes, and the pressure of price. Automobile production absorbs steel output. Commodities continue uneven advance.

SPURRED by recovery activities of the Administration, the fear of inflation, and the threat of higher prices, business activity has taken a further leap ahead and now stands at the highest point since October, 1931, a gain of 3% for the week. The momentum at which it is gaining speed is arousing concern in many quarters. In her statement accompanying the remarkable June employment figures showing that 400,000 people went back to work with payrolls fattened 10.8%, the Secretary of Labor emphasizes, not the gains already made, but the distance we still have to go. She calls attention to the fact that only 63% of the wage-earners are employed now as contrasted with 1926 and that their weekly earnings were less than half the total then. Says Miss Perkins: "To increase this shrunken purchasing power and thereby create a market for industrial output is a task that must be accomplished through the codes to be set up under the Industrial Recovery Act."

Secretary of Agriculture Wallace is similarly gloomy in spite of $1.32 spot wheat prices in New York, and points to the carryover rather than to the purchasing power of the farmer which now stands at 62 as against 50 in March, an increase of 24%.

Three factors in uneven combinations supply the reasons for the speed with which industrial activity is getting under way: (1) an absolute shortage in consumers' goods; (2) a desire to beat the gun on codes entailing higher costs; (3) haste to stock up on raw materials on a rising market.

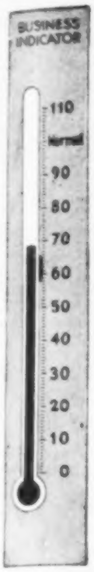
Steel activity continues its ascent unabated and again has gained 2 points for the week. Pressure for delivery is severe, especially from the automobile industry where production has again spurted to a new high—58,000 units, 16,000 units over the previous week. Nineteen passenger car producers have stepped up schedules. Chevrolet is now producing at the rate of 6,700 units, Ford at 3,000, Plymouth at 1,250, and Pontiac at 1,100. July automobile production is estimated at 230,000 units, an increase of 97% over July, 1932. Sales to consumers continue high. June sales total 103,000 against 86,000 in May, and 57,000 in June last year. June sales to dealers were 100,000 against 86,000 in May and 46,000 in June last year. However, fears are beginning to be expressed that steel production cannot continue much farther without the support of heavy industries. The *Iron Age* reports that while "ingot output has increased from 49% to 50% at Pittsburgh and from 40% to 41% in eastern Pennsylvania, there have been recessions in the Cleveland-Loraine district, in the South, and in Buffalo, and the national average has declined from 59% to 58% of capacity."

Prices Likely to Hold

But, while there are doubts of forthcoming demand from construction or railroad sources, there is no uncertainty as to prices. The code of the iron and steel producers has eliminated concessions, has advanced wages, and—with the rise in cost of fuel, scrap, and other raw materials—strengthens the prob-

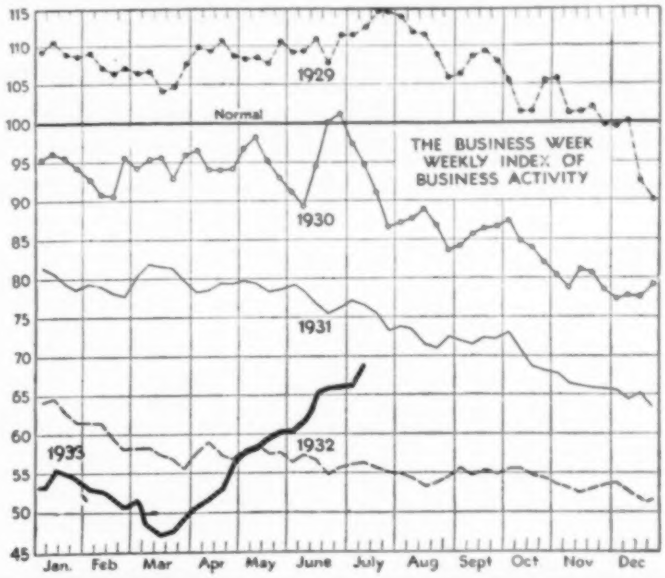
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1928-1932)
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*69.1	†66.8	56.2	
PRODUCTION				
Steel Ingot Operation (% of capacity)	56	54	16	54
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$3,921	$4,040	$4,400	$17,203
Bituminous Coal (daily average, 1,000 tons)	*1,106	†1,095	718	1,211
Electric Power (millions K. W. H.)	1,648	1,539	1,416	1,584
TRADE				
Total Carloadings (daily average, 1,000 cars)	108	106	83	144
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	69	68	59	95
Check Payments (outside N. Y. City, millions)	$3,140	$3,301	$2,854	$4,713
Money in Circulation (daily average, millions)	$5,689	$5,746	$5,745	$4,934
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$1.02	$.98	$.45	$.83
Cotton (middling, New York, lb.)	.115	$.107	$.058	$.137
Iron and Steel (STEEL, composite, ton)	$30.13	$29.67	$29.46	$33.05
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.087	$.050	$.112
All Commodities (Fisher's Index, 1926 = 100)	68.8	66.6	60.2	82.4
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,212	$2,229	$2,428	$1,477
Total Loans and investments, Federal Reserve reporting member banks (millions)	$16,724	$16,686	$16,380	......
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,768	$4,719	$5,572	......
Security Loans, Federal Reserve reporting member banks (miilions)	$3,874	$3,811	$4,076	......
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$955	$858	$345	$2,995
Stock Prices (average 100 stocks, Herald Tribune)	$106.08	$105.79	$75.54	$141.07
Bond Prices (Dow, Jones, average 40 bonds)	$88.76	$87.59	$71.44	$90.48
Interest Rates—Call Loans (daily average, renewal) N. Y. Stock Exchange	1%	1%	2%	4.2%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1½-1¾	1½-1¾%	2½-2¾%	3.8%
Business Failures (Dun and Bradstreet, number)	343	265	650	482

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For details of statistical methods, write the editor.



bility that the increase in prices, which have now reached $30.13 per ton, the highest since January, 1931, will hold.

Further confirmation, if any were needed, that industrial activity is rapidly expanding, comes from the figures showing electric power production, which has again risen to 1.6 billion kilowatt hours, or within striking distance of the high reached 2 weeks ago. The gain for the week is over 7%, and total production now is 16.4% higher than during the corresponding week last year.

Freight car loadings for the week ended July 8, at 539,000 cars, are slightly lower than the preceding week, accounted for largely by the holiday. When corrected on the basis of the daily average, loadings run 108,000 as against 106,000 for the preceding week and 83,000 for the corresponding week last year. The l.c.l. loadings on a daily average basis also show an increase to 69,000 as against 68,000 the preceding week, and 59,000 for the corresponding week of 1932. Gratifying as these figures are it may not be amiss to follow Miss Perkins' example by showing how far we still have to go. Against a daily average of 108,000 for July 8, we have a daily average of 160,000 in the 5-year period from 1927 to 1931; against a current daily average of 69,000 l.c.l loadings, we have a 103,000 daily average for the same week of the 5-year period from 1927 to 1931.

Commodity Prices

The driving force behind this urgent production program is the continued rise in commodity prices. Fisher's index, based on 1926 as 100, now stands at 68.8, an advance of 3½% for the week, and 12½% higher than during the corresponding week last year. The advances in individual commodities are impressive. The weighted average cash price of wheat at Kansas City stands at $1.02 against 98¢ for the preceding week, and 45¢ at the same time last year. Spot cotton in New York is 11.65¢ per pound against 10.7¢ last week and 5.9¢ on the same date last year. The average price per pound of copper at the refineries is 8.8¢ against 8.7¢ last week and 5.0¢ a year ago.

Demand in the metal markets was fairly active, especially noteworthy in copper and zinc, anticipating the fact that higher prices will have to prevail for the industry to operate profitably under the Administration's program. The trend in prices of most metals was upward and they are at 1931 levels in many instances. Estimates circulated in the industry show that world stocks of refined copper held by producers who account for about 90% of the world's output, declined from 749,000 short tons as of the end of May to 711,000 at the end of June.

Progress is being made, though slowly, on the codes of practice in copper, lead, and zinc, owing to the complexity of the problems in hand. Some producers now believe that a "blanket code" will have to be employed as a temporary measure.

The Political Factor

The business man who attempts to forecast the future trend of activity and is compelled to take a stand either in the purchase of goods or raw commodities cannot ignore the Administration's influence on business activity and prices. In fact, this attitude overshadows all statistics. The impressive gains which have been made in business activity in themselves are no criterion of what we may look for. For a glimpse into the future, and for a guide in the daily affairs of business we must watch Washington. From that source comes continued intimation that further expansion of business activity is to be promoted by every device known to the government. Codes on oil, steel, clothing, and other industries are being submitted in rapid succession. The Administration is alive to the fact that the present feverish activity in mills, mines, and factories must be supplemented by purchasing power if it is to survive. For that reason, the provisions for adequate wages and for increasing employment are being scrutinized with unusual care.

Uneven Tempo

On the other hand, it must have occurred to the average business man that prices have advanced at an uneven tempo. The index of wholesale commodities has gained about 23% since the bank holiday, but such speculative commodities as wheat have more than doubled, cotton has more than doubled, silk is twice as high, and rubber, coffee, sugar, rye, and scores of other commodities have made impressive gains far beyond the general price average. It is entirely probable that this uneven tempo in prices traces back to the availability of speculative facilities on the commodity markets. The Administration has been cautioning the public that these high prices stand on speculative ground. But scores of other commodities, both raw and manufactured, which find their way into industry have not as yet felt to the fullest extent the pressure for price advances. An evening out of these discrepancies is a probable development of the commodity price structure.

The Financial Markets

Foreign exchange becomes less important and brokers' loans reappear as market factor. Volume of loans suggests weak though widespread buying. Stocks remain strong in face of heavy trading. Bonds continue upward.

Money

UNLIKE the situation a few weeks ago, when the news reports were almost entirely of a "constructive nature," we are now faced with a few developments which somewhat beclouded the hitherto bright and cheerful horizon.

It will be recalled that during the Arcadian days of 1929, brokers' loans rose to well over $8\frac{1}{2}$ billions, and the weekly increase, frequently as high as $300 millions, was an item in the money market situation. As yet, brokers' loans are not an important factor in the money market, but those wise in the ways of Wall Street are beginning to cast a musing eye upon 2 successive weekly increases of $100 millions. Brokers' loans have now reached a total of $955 millions as contrasted with $345 millions a year ago.

Neither the share market nor the commodity market—nor, for that matter, the money market in general—is now paying particular attention to foreign exchange, which continues erratic. The dollar has fallen to a new low but has not appreciably lifted either commodities or stocks. This, of course, is a departure from the general rule that commodities, stocks, and foreign exchange are interwoven. But the rule has been broken so often recently that it scarcely deserves much comment.

At last week's highest quotation for the gold standard franc, the dollar was worth less than 69¢ in the international markets. At least 9 foreign units, those of Belgium, England, France, Denmark, Norway, Holland, Sweden, Canada, and Japan, have reached the highest levels of the year thus far. The Canadian dollar was at the smallest discount in relation to our monetary unit in almost 22 months. Sterling touched $4.86, its old par.

Commodity prices have continued to go to new highs. Silver is over 40¢ now. Hides are 14.3¢, silk has gone to $2.23, and spot wheat in New York at $1.32 is being threatened with imports from the Argentine, since at this figure it appears that importers are able to pay the duty of 42¢. Incidentally, this gives an idea of the price discrepancy between domestic and foreign markets. Exports of wheat for the last few weeks have been given either at zero, at 1,000 bu., or at 2,000 bu., most of it probably border trade. Secretary Wallace has again issued a warning that the carry-over on July 1, 1934, will be at least 200 million bushels and is vigorously proceeding with his acreage reduction program.

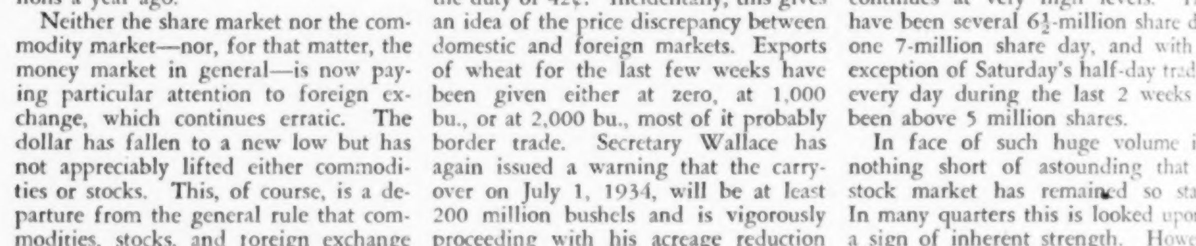
The Federal Trade Commission reports that $95 millions of securities have been registered, apparently showing that the new law imposes no hindrance to the flow of legitimate capital into the money market.

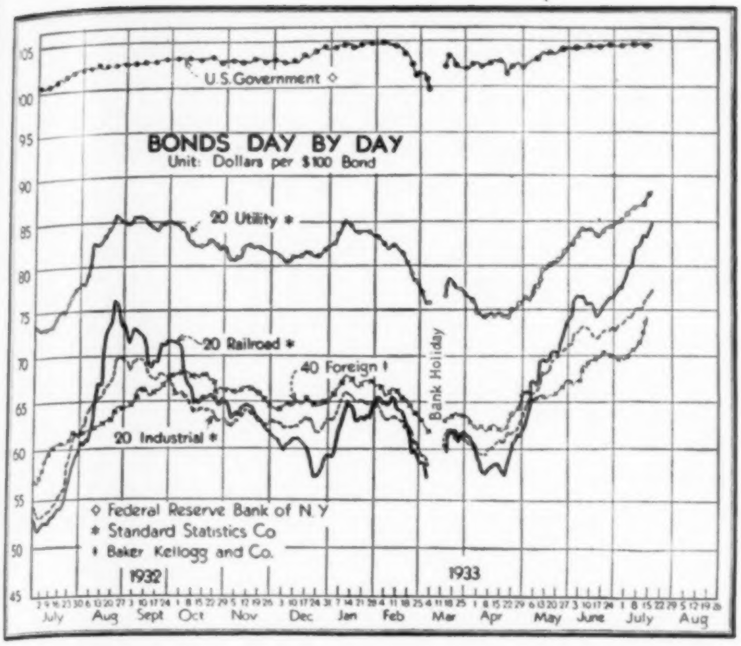
Reports coming from banking circles remain neutral and colorless. Statements from the Federal Reserve banks show that borrowing continues to decrease and is now $348 millions less than on the corresponding date last year. Purchases of United States government securities of $12 millions were offset by sales of bills of $10 millions. Money in circulation has dropped $85 millions and is now $47 millions less than on the corresponding date last year. Reserve balances of member banks continue to rise at the rate of about $50 millions a week and are now $254 millions more than a year ago.

Stocks

Two trends deserve notice in the stock market. First, for some weeks now the market has made no important gain and has been subjected at times to violent breaks; second, the volume of trading continues at very high levels. There have been several $6\frac{1}{2}$-million share days, one 7-million share day, and with the exception of Saturday's half-day trading every day during the last 2 weeks has been above 5 million shares.

In face of such huge volume it is nothing short of astounding that the stock market has remained so stable. In many quarters this is looked upon as a sign of inherent strength. However, many of the brokerage houses are now





beginning to advise a standoffish attitude, and some are even recommending selling in order to take profits. Customers reacted sharply to this advice on Wednesday.

The ability of the market to withstand heavy selling without any substantial setbacks may be taken as an indication that a large volume of stocks is going into weak hands. This view is supported by the increase in brokers' loans. An important setback might bring about forced selling, and thereby sharply lower present prices. This type of reasoning, however, is not supported by developments in recent breaks. Whenever the market shows signs of weakening new buying power develops. The stock market apparently has wide public confidence; hence, its present statistical position provides no test of the market's ability to withstand new shocks. The extent to which the market is shooting up is indicated by a cursory examination of almost any stock. Take United States Industrial Alcohol, which sold at a low of 13½, and had touched 94 prior to Wednesday's break in the stock market. Goodyear had risen from 9 to 47; Bethlehem Steel, from 10 to 49; Celanese, from 4½ to 58. The so-called wet stocks made even more spectacular advances. All listed common stocks had a total market value on July 1 of $36.3 billions, against $19.7 billions on Mar. 1.

Bonds

After turning slightly reactionary, bonds have resumed their advance. Rail issues and low-grade bonds have advanced 1 to 5 points. Utility bonds, though less in demand, have also made moderate advances. Foreign bonds are higher in an erratic market, with German issues still in an unfavorable position. United States government bonds are higher, influenced largely by the fact that no new Treasury issues are due until Aug. 15.

The basic stimulant to bond prices is the expansion in business volume and profits. The astounding upward surge in business activity, if continued at the present price for a reasonable period, will strengthen confidence in the servicing of bonds and push many issues of dubious quality back into the high-grade class. High-grade bonds are expected to remain firm even with the development of Treasury competition for investment funds.

The market value of all listed bonds on July 1 totalled $34 billions against a par value of $40.9 billions, and a market value of $30.5 billions on Apr. 1. The value of American listed bonds has risen from $25 billions last July to $28.3 billions on July 1, 1933.

Reasons for advances in bonds and stocks as interpreted by Wall Street are (*a*) the record pace of business improvement; (*b*) the drop in the dollar; (*c*) the sharply strengthened position of all financial institutions, especially of the bond portfolios in banks and insurance companies; (*d*) realization that 1932 price levels were abnormally low; and (*e*) discounting of further improvement stimulated by the Industrial Recovery and Agricultural Adustment Acts. The disquieting factor is the speculative basis of much of the current advance.

BUSINESS WEEK

The Journal of Business News and Interpretation

JULY 22, 1933

Premature Burial

THE American press has been busily arranging for the funeral of the London economic conference, and doing it with a gusto which suggests it is getting a certain faintly malicious enjoyment out of the job. The general tone of comment is that the whole affair was futile, that nothing was accomplished, and that nothing more is to be hoped for.

We suspect that burial is premature. The conference is not dead; it did accomplish something; it will accomplish a great deal more.

The greatest thing that has been done is to clarify to the whole world the American program for recovery, and to enlist strong support for it. Even the "gold bloc" nations that so stubbornly fought to bend us to their will now understand our purposes better, and if our own observers abroad judge correctly, are coming around to a less obstructionist attitude. They may not help, but their disposition to hinder is disappearing. Britain, pressed by her Dominions, seems half ready to cooperate actively. For this alone, the first phase of the conference has been worth while.

There are other tangible achievements. An accord among the principal producers of wheat has been reached. Negotiations for similar agreements covering other commodities are coming along—with tin and rubber in advanced stages, sugar, copper, and silver making encouraging progress.

Trade agreements covering groups of two or more nations are being worked out, facilitated by the gathering of delegations from all over the world in one place at one time. The Soviet government, to give but one example, is seizing the occasion to get on a better footing. It has resumed trade relations with Britain; is discussing trade with us; has created non-aggression pacts with 9 of its neighbors.

The whole question of money has been raised in a way which is bound to focus the attention of economists and statesmen upon it with a new intensity. The "commodity dollar" suggestion has received strong impetus; Sweden's successful stabilization of prices has been brought forcefully to the attention of the nations. Perhaps all this may lead the world or an important portion of it to make a first attempt to manage its money rather than, as in the past, be managed by it.

There are seven important subjects which the conference can, should, and probably will take up, either in full session, or in the quiet of committee rooms during a long recess. They are: 1. The possibility of simultaneous stimulation of purchasing power by public works programs. The United States, Germany, and Italy already are leading the way. A substantial body of British opinion is in favor of joining this effort. 2. Broader development of agreements to control production and distribution of important commodities. 3. A simultaneous price-raising program. 4. Ship subsidies. Agreement could call a halt to the ruinous race to build bigger and bigger liners. 5. Further trade agreements, perhaps almost on a barter basis, or sometimes working out means to use blocked accounts, as France, by taking nitrates, has succeeded in getting some of her francs out of Chile. 6. Further study of monetary reform. 7. Disarmament, at least in its economic aspects.

Furthermore, let it not be forgotten that some day, our domestic price-raising and recovery program will reach the stage where we, too, shall desire stabilization of the dollar in terms of other currencies. Sound, well-considered plans should be laid now, to be ready for adoption when that time comes. This will require months of careful spade work, months of careful discussion.

The London conference is no failure, except in the newspaper headlines.

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